FDD Media Call: Findings and takeaways from FDD's recent delegation visit to Taiwan

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Featuring RADM (Ret.) Mark Montgomery and Craig Singleton
Moderated by Joe Dougherty

DOUGHERTY: Greetings, and thank you for joining us for today's call. My name is Joe Dougherty. I'm senior director of communications at the Foundation for Defense of Democracies, a nonpartisan research institute focused on national security and foreign policy.

We're grateful that you've joined us today as FDD experts discuss a recent delegation trip to Taiwan to meet with senior officials, including the president, vice president, minister of defense, and minister of foreign affairs, as well as hold a tabletop exercise simulating a Beijing and post-energy quarantine. This was FDD's third trip in three years and builds on last year's tabletop exercise focused on financial and cyber risks.

Joining us on today's call, Rear Admiral Retired Mark Montgomery, FDD senior fellow and senior director of FDD's Center on Cyber and Technology Innovation. Mark served as policy director for the Senate Armed Services Committee under the leadership of Senator John McCain. His flag officer assignments included director of operations, J3 at US Pacific Command, and commander of Carrier Strike Group 5 aboard the USS George Washington in Japan.

Craig Singleton, senior fellow and senior director of FDD's China program, he previously spent more than a decade serving in a series of sensitive national security roles with the US government, primarily focused on East Asia. Some quick housekeeping. This conversation is on the record, and we will share a recording and transcript of the conversation within 24 hours, hopefully a little bit sooner.

We're going to get started right away, and we're going to get started with a series of questions that I'll be asking the two to get the conversation going, and then we're going to conclude with questions that each of you might have. If you do have questions, you can use the chat feature to submit your question. You can also use the raise hand feature, and we'll unmute you, and you can ask your question directly.

So let's get started right away. And this is an opener to both of you, Craig and Mark. Thanks again for joining us. Why did you choose to focus this particular tabletop exercise on an energy quarantine scenario? Why now?

MONTGOMERY: Well, thanks. I'll go first. It's Mark. The whole premise behind this, Craig and I have been working this issue for about two years since we first met with President Tsai about two years ago. And the idea is, at least from my perspective, having done J3 and J5 jobs in EUCOM and PACOM as an admiral, my planning, whenever I had a plan, I had a most dangerous scenario and a most likely scenario.

In Taiwan's case, I think we all understand the most dangerous scenario is a cross-strait invasion. I mean, that's a tough thing. There's a whole culture, factory of think tanks that look at that most, and FFRDCs, and even DOD itself that study that issue again and again and again. I personally play in about eight or 10 of those exercises a year. And I think it's fantastic, and it does a good job of driving the requirements for the US military because it is the most stressful scenario, but it's not the most likely.

And Craig and I felt that you really need to look at the most likely scenario and study that. And now you take a look, and there is not a factory of think tanks looking at that. That I think the Department of Defense is hesitant to look at it for fear that should they look at it and determine issues, they will then be handed a bill for fixing those issues.

And then I would say the lessons we learned for Department of Energy, Department of Commerce, Department of Treasury, those agencies don't do a great job tabletopping this kind of issue if they do it at all. So that caused us to want to look at this. And very specifically what we're looking at is China's ability to apply a non-kinetic pressure campaign on Taiwanese society through cyber-enabled economic warfare.

We broke that up, and Craig can dig into how China does that, but we did it. We do look broadly. Initially, we thought financial energy and communications. And those who've worked me in the cyber world know that there's 15 or 16 actual critical infrastructures, but those three are the three that drive societal resilience.

And so we looked at those and we looked at how different kind of pressure campaigns could do it, and then we very specifically have now looked at finance and energy and we'll talk in some detail about the energy lessons learned. But I'll turn it over to Craig if he wants to talk a little bit more about how we came to this.

SINGLETON: Yeah, no. Thanks, Mark and Joe and everyone for dialing in today, especially our Asia-based friends. I think to build on Mark's comments, we designed this exercise to pressure test I think what is one of the least understood but most plausible gray zone scenarios, and that's this Chinese attempt to throttle Taiwan's energy supply chain without firing a shot. This isn't speculative. Taiwan imports over 97% of its energy, mostly by sea, and Beijing knows it. In our view, this is the kind of coercion that flies under the threshold of war, but could still bring Taiwan to its knees.

And I think why now? It's because Beijing is already rehearsing these tactics in plain sight. Since Former Speaker Nancy Pelosi's visit to Taiwan, China has normalized permanent maritime and air operations around Taiwan, combined with legal warfare, gray zone probes, targeting energy infrastructure and various administrative actions. We see growing signs of a coercive campaign aimed at testing Taiwan's endurance.

And what's more, this is the kind of pressure campaign that aligns with the CCP's stated goal: to weaken Taiwan's political resilience, and in particular, to erode President Lai's standing ahead of the next presidential election. So it's coercion through constraint. It's slow, it's steady, and it's plausibly deniable, and I think that's why we chose to stress-test this scenario.

DOUGHERTY: Thanks, Mark. Thanks, Craig. Mark, what exactly is the scenario? How does it differ? Go into more detail about how it differs from a full blockade and what you mentioned, the kinetic campaign, which you said causes perhaps the most stress but is not as likely?

MONTGOMERY: Yeah. This is very different than the 1000-naval Coast Guard fishery ships kind of charging across the strait with helicopters and all that. Set that all aside. This is much, much less visible. Much less respondable.

Our idea in this exercise, and Craig will talk to it a little bit, was to operate in a way that never caused the United States or Japan or Australia to counter. So to do that, as Craig said at LNG [liquefied natural gas] -- LNG is -- the Taiwan grid, because they've shut down their nuclear power plants, it's now roughly speaking 50% LNG, 42-43% coal, 7% renewables. That's like if you're at max power. In no day are they at max power.

But they are at a high power because the other thing I'd say is they have one of the most at-risk grids, which is to say that's the what's your normal load? How much power do you need every day for hospital schools and industrial things like semiconductor manufacturing plants, versus how much do you have? What's your max that you could put out?

And they're in the 70 to 75% range on a summer day, so that seems like a lot of resilience. It's not. Our number's more in the 50 to 60% range depending on time of the year, so we have a lot more room for maintenance, for casualties, for cyber malicious activity, for just mistakes to happen.

Okay. So they're 50% LNG, and what that is really is 358 ships pull in over 365 days. That's one ship a day comes in. And then their capacity for stowage is in normal burn rates. Now, you can change your consumption rate, but in normal burn rates, it's in the seven-to-10-day range. So that means that if you can stop LNG from delivering, and look, I get that they could slow down their usage of LNG so when you ask them, they'll give you a different day, but on their normal consumption rates, if I stop 10 LNG ships from coming, LNG will stop being a source of power on the island.

And what that means is that 50% of the production goes away. And when 50% of the production goes away, and I told you you were at 75% usage before, something's got to give. You know what I mean? You're going to have to start cutting that.

So the aim of the game was to cut it off, and Craig came up with some innovative ways that really make it hard for the United States to get pissed off, right? You know what I mean? The solution to this is eventually going to be allies and partners help Taiwan or Taiwan's in a lot of trouble, and China's job will be to put pressure on without actually causing the United States, Japan, or Australia or the Europeans to respond.

DOUGHERTY: Craig, as Mark mentioned, from your position as the PRC player in the game, what was Beijing's goal in this scenario?

SINGLETON: Yeah. I mean-

DOUGHERTY: What was China hoping to achieve?

SINGLETON: Yeah. I mean, I think for me playing the PRC, this wasn't about forcing capitulation overnight. It was really about creating cumulative pressure. My goal as the China player was to use lawfare, logistics, and latent force to gradually strangle Taiwan's energy lifelines while staying below the threshold that might provoke a US or allied military response. And so we framed it as the PRC player as at least internally, as I wanted it to be legal in nature, reversible in form, and coercive in effect, and that was my mantra throughout the game.

And the hope was that by slowly constraining Taiwan's ability to function, causing fuel shortages and maybe rolling blackouts and threatening economic instability, we could degrade public confidence in the government and then maybe drive wedges between Taipei and its international partners. The ultimate goal was to undermine political will without having to resort to kinetic action.

And what we sort of want to avoid, I think anything that looked like an overt act of war. The whole premise rested on plausible deniability, maritime safety inspections, gray zone cyber probes, rerouting shipping lanes, and the challenge was sort of applying pressure without triggering escalation or actually hardening Taiwanese resolve. And that was sort of my goal going into this scenario in each of the three turns that we had in the game.

DOUGHERTY: Mark, you were a Navy admiral, you were at USINDOPACOM, what can the Navy, what can PACOM take away from this?

MONTGOMERY: That's the good-news story. The good-news story is there's a lot of good lessons learned out of this game, and a lot for Taiwan, and we'll talk about those, but some are for the United States.

And it's an interesting conundrum. When you ask me, "What's this center of gravity of Taiwan in a cross-strait invasion?" I'd say, "Oh, that's the Taiwan army." I mean, their navy and air force are going to be history after a few days, and so you see the US concentrate something called the Joint Training Team really on the army, and that makes perfect sense.

The problem in this game is that the center of gravity is maritime forces and air forces and our US ability to interact with them. And so you would think we'd be in better shape on this, but in this weird world, there's two countries in the world where the United States has almost no mil-to-mil cooperation at the highest levels, military-to-military cooperation like generals and admirals and things, and that's Taiwan and Ukraine, a future war and the current war. And you couldn't be less focused than we are on this.

And so the outcome of that is we're not really preparing well. And even though Congress passed a law called the Taiwan Enhanced Resilience Act, which both Craig and I did a lot of work on, which laid out a plan, directed the military -- didn't suggest, didn't plead, directed -- do military-military exercises, naval, air, do joint ones, try to find other partners, do planning together.

I don't think we're at the right level of that. I think we really need to put more pressure on the department. I don't think this is INDOPACOM or PAC Fleet or PAC Air Force saying we don't want to do these exercises. I think these are political decisions still being made out of fear of provoking China. The China that we're willing to go fight in that other scenario and lose seven to 30 thousand people, we're not willing to provoke them by doing training.

But what's that get at? It gets at naval escorts. A big part of this if China starts doing some of the nefarious stuff that Craig did during the game, one of the responses is to have US Navy ships escort in LNG tankers. And that's a big move because if we do that, China's next move, which I don't think that would be significantly escalatory by us because you are blocking our ally from getting LNG. Some of it might be coming from the United States. We're going to escort it in.

The next move by China though is block a US Navy ship, attack a US Navy ship, sink a US Navy, so these are all bad. These are significant escalatory operations and a strategic dilemma for China. And the whole idea here is to stop letting China, or Craig in the game, have the lead, have headway.

And so from my point of view, getting to Navy, understanding how important it is to these escort operations, and then maybe working them bilaterally with the Taiwanese over time, their Navy, through that exercises I talked about, and then eventually pulling in Japan and Australia to that as well. But you can't get there without starting, and you start by doing the training for it and the exercising for it, and we're just not seeing that at the right level being done by the US Department of Defense.

And again, I don't think it's the war fighters on the pointy end saying, "We don't want to do this." I think it's the political actors -- nervous, and this is across multiple administrations, nervous about provoking China. And I think we're at the point where we need to be ready for this kind of conflict, and we're not ready if we're not exercising and training together.

DOUGHERTY: That's a great segue to next question for Craig. What specifics did you deploy during the tabletop exercise as the PRC player, and how realistic are those tactics in the real world?

SINGLETON: Yeah, no. I mean, I think to build on Mark's comments, in the early stages of the game, I deliberately avoided high-profile, overt provocations. The goal was to apply steady strategic pressure. I did not want to trigger a crisis.

So instead, I focused on quieter, plausible, deniable actions that exploited Taiwan's over dependence on energy imports, so I used diplomatic back channels to pressure LNG-exporting nations to delay or cancel scheduled shipments to Taiwan. I also intensified disinformation efforts to undermine public trust in Taiwan's energy system and to sow doubts about the government's ability to manage the crisis.

At the same time, I authorized low-level cyber probes of Taiwan's power grid, meant not to cause disruption, but to test the island's defenses and gather intelligence for future use. As Mark and the US team signaled a more assertive stance in a later part of the game, including a willingness to engage in maybe convoy or reflagging operations, I responded with a sharper edge. I ordered limited interdictions of non-US flagged LNG tankers en route to Taiwan. I redirected several to mainland ports. My cyber operations became more aggressive. I targeted both energy infrastructure and psychological pressure points inside Taiwan society. And the aim there was to trigger blackouts, not by striking the grid directly, but by pushing the system to the brink and letting doubt and delay, I think, do the work for me.

I think throughout it all, I really tried to avoid actions that would justify a kinetic escalation, and the goal was to dominate the escalation ladder while preserving plausible deniability. And these tactics, targeted disinformation, coercive energy diplomacy, precision cyber attacks, and even selective interdiction are, in my view, entirely realistic. In fact, I think they really mirror many of the capabilities Beijing has already developed and rehearsed. So, what we did in the TTX wasn't fiction. It was fast-forwarding a playbook China, I think, is already writing for Taiwan.

DOUGHERTY: And how did Taiwan respond? Go ahead.

MONTGOMERY: Two quick thoughts on this one. Craig did play it as well. And contralogically, Taiwan needs angst. They need exposure. They need Craig to be unsuccessful in keeping it below the radar screen, so to speak, because eventually they need the US and partner. They will not win this kind of crisis. They will not succeed in this kind of crisis without external support. But to engender that external support, they have to have a visible problem, so they literally benefit from a more aggressive China and they weren't getting it.

And one other thing, Craig, he mentioned this and I just want to highlight it, their LNG right now comes 40% from Australia. I think that's pretty solid. This is Taiwan's LNG. About 10% from the United States, but about 30% from Qatar. And that's who Craig took advantage of, leveraging that, and he can talk to that a little bit. But I just want to say if we had early on a big... The epiphany of you need more LNG stowage, that was easy. Probably need to have some of your own ships. They have none, believe it or not. That was easy. The hard one, but one that the Taiwanese are working on already, is they need to become a better fossil fuel friend of the United States, not because I want to sell fossil fuels, I'm not opposed to that, but that's not the reason. The reason is they need a reliable ally, a partner delivering that, which is why I think you've seen them get so interested in Alaska over the last year and a half, and the potential of tapping into an Alaskan LNG resource. Now, that won't be around for four, five, six, seven years in the real numbers that they would like, but if you don't invest now, you just extend that timeline out.

Anyway, I just want to highlight that Craig was pretty smart in going after the Qatar linkage because that's probably the weak link in Taiwan's LNG supply chain.

SINGLETON: Yeah, no, I think those are all fair points. And I think Qatar was definitely a big target of mine. I think on the, how did Taiwan respond, from my view as the PRC player and just putting my FDD hat on, I thought Taiwan did the best it could under extraordinarily difficult circumstances, but the exercise I do think laid bare just how hard these trade-offs would be in a real crisis. They were forced into impossible choices, like do you power factories or homes? Do you try to break a quarantine or conserve your limited resources? How do you keep public morale high when the lights start to go out?

And to their credit, I thought Taiwan's power authorities took the scenario very seriously. We had representatives from Tai Power, including the CEO of Tai Power, participating in this high-level game. And they really started to game out backup options. They thought creatively about domestic energy rationing, and they worked to communicate all of that to the public through the government. But their lack of fuel diversity left them, I thought, with very few good options. And the island's reserves, as Mark mentioned, would dwindle quickly under real pressure. And that vulnerability showed in the game.

I think what concerned me most as the China player wasn't any single brilliant counter move from Taiwan or from Washington. It was that they didn't panic. They didn't really lash out. They tried to hold the line publicly and politically and psychologically, even as the system strained. And I think the challenge, though, is that the underlying problem remains with limited domestic generation capacity and a grid that is overly reliant on seaborne fuels. Even modest pressure from me exposed some pretty serious fault lines.

DOUGHERTY: So, what could happen? What could be done that would cause Beijing to change its strategy to change the narrative?

SINGLETON: I think for me, and we played it out a little bit, I thought there were maybe three things. One was resilience with restraint from Taiwan. If Taiwan can ride out the pressure without overreacting, transparent communications, orderly rationing, and no provocateur optics while quietly locking in non-PRC energy, putting a premium on US LNG, I think the story shifts from Taiwan is vulnerable to Taiwan is steady. And I think in that scenario, Beijing's gray zone play feeds on panic. Durability from the Taiwanese killed my script a little bit.

I thought coalition coherence that touches markets was something that made me nervous. Talk is really cheap, but coordinated actions aren't. And if the US, Japan, and key partners can move in sync, whether that involves backfilling fuel or insuring or escorting commercially flagships without military theatrics and signaling targeted economic consequences for the PRC, I think boardrooms, insurers, and shippers start pricing China as the risk, not Taiwan. And when costs compound in Beijing's direction, my strategy requires a rethink.

I think a Trump deal that binds me and not blesses what I was doing was another constraining factor. President Trump is the wild card, and we had Matt Pottinger playing President Trump on the US team. I think if the president reframes the crisis as a transaction Beijing wants, there's a face-saving de-escalation to clear guardrails, like no inspections, no pressure on third-party suppliers, and if the US publicly credits Chinese restraint, then I do think Beijing can step back from something like this without humiliation. But if Washington instead spotlights PRC coercion and ties supply chain stability to a PRC pullback, I think Beijing loses the narrative and the leverage.

And so I think the hard break on all of this to me as the PRC player was any accident that kills civilians, like a collision or a botched inspection or a cyber spillover, plus credible attribution, to me, is probably the thing that was making me freak out the most during the game. And that turns the deniable pressure into a diplomatic liability overnight, and that invites the very counter coalition that I think Beijing is trying to avoid and that the US teams are trying to build. So, I think the bottom line for me is that Beijing starts to rethink when Taiwan endures, when allies act in concert, and when US politics turn a deal into enforceable guardrails. And all that gray zone campaign unravels when my target doesn't panic and the costs start to land on me, the coercer.

DOUGHERTY: Copy. Mark, anything to add there?

MONTGOMERY: Thanks. I want to talk a little bit about the alliance cohesion part. Craig's really right about that. When you think about a cross-strait invasion, you think 90% of the forces of the US and Taiwan, there's some issues with access in Japan and things like that that's really important, but I really think about the US and Taiwan and then some others. In this case, this one's much different.

Japan plays a critical role in this. They have lots of LNG stowage. They have stowage of months' worth of Japan's usage, which is actually closing on closer to a year's worth of Taiwan's usage, and they have the ability and they own their own LNG ships with US assistance to bring them down. Australia has some LNG contracts that are in the open market beyond the 40% they send Taiwan. They can direct that more towards Taiwan. So, they can work with the United States as part of that LNG solution, which keeps Taiwan from overreacting, having to make really hard decisions, which is exactly what Craig was talking about there. So, that argues for ally cohesion.

The second is it helps in naval operations, dump corporations to have multiple navies out there. And certainly if Australia's all in on AUKUS, they ought to have a destroyer up here pretty reasonably rapidly to assist in this kind of operation, and I think eventually the Japanese would get to that if the Australians showed up. So, there's ways that you can build this, but this takes a lot of discipline by the US National Security Council and a lot of timely decision-making in the gray zone. These are all words that don't rhyme. And so to me, that alliance cohesion is the really big thing that backstops that Taiwan resilience and restraint that's critical. So, all that's got to happen. And if it does, then I think that China is in a much more difficult position as this game plays out.

DOUGHERTY: Copy. Mark, Craig, and feel free to weigh in on this as well, we have several journalists on the call today that cover energy issues in particular in that region, so I think they will find this of particular interest.

So, Mark, what role does the US play... I'm sorry, let me back up. Mark, what did this game reveal about the role of nuclear energy in Taiwan's future security and deterrence posture? And I've got a follow-up for Craig to that.

MONTGOMERY: Yeah, so look, I'm a nuclear engineer, so I'm extremely biased on this. I think it's a very safe, reliable form of power. And I think Taiwan would benefit from the restoration of their recently shuttered nuclear power plants. At one point maybe 10, 12 years ago, nuclear power was 20% of their grid. Now, their grid has gotten bigger, so that percent got smaller, but I think they're in a position for at least two of the nuclear facilities, which I think would bring multiple reactors online, to have the opportunity to bring them online.

But that's not a today thing. That's not a snap your finger, President Lai says, "You know what? I think I want to do this." It's a years thing because you have to refuel, you have to work, get in line. But again, the United States can be helpful. I think this would be Westinghouse. But in any case, I'm for restoring the shuttered plants. I think that gives them just that nother little bit of 6% and maybe eventually 12% grid maximum. And the beauty of nuclear power is it's 24/7 it's running, it's consistent, it's persistent, and so I think that... And there's even some deterrence value to it that Craig could talk to, but from my perspective, that's useful.

I recognize they also are talking a lot about small modular reactors in Taiwan, and I'm all for them as they come online. The ones that are going to be available in the next two to three to five years are the kind that support individual factories as a backup supply as you stabilize your semiconductor manufacturing equipment, for example, during a broader loss of power. The kind of bigger small modular reactors that I think Taiwan visualizes, they could be seven to 10 years away. So, I think the existing nuclear power plants have value. If I were making decisions, I'd bring them back online. I'm not the leadership in Taiwan. And small modular reactors have a play long-term, but I don't believe they're a short-term play.

DOUGHERTY: This one's off you, Craig. How does nuclear change the risk calculus for Beijing and gray zone scenarios like this one?

SINGLETON: Yeah, no, and Mark mentioned they just decommissioned their last reactor, but I thought nuclear changes my math as the PRC in three ways. First, it buys continuity under coercion. A nuclear-backed grid gives Taiwan firm dispatchable power when LNG is squeezed. And I think Mark mentioned SMRs. They're not a panacea, but if you had them perhaps installed at critical nodes like leadership in hospitals and maybe communication sites, you could keep the state governing even under sustained pressure.

I thought, second, it really raises the risk of a miscalculation for China. Gray zone, cyber, or kinetic moves near nuclear assets can spiral into a radiological or political crisis that Beijing cannot control. And that deterrent by consequence I think forces far more caution.

And I thought, third, it blunts the strangulation strategy. The less Taiwan depends on seaborne gas, the weaker the energy quarantine lever, and the harder it is, I think, to fracture public confidence. And so we've been writing at FDD, Mark and me, about Taiwan's nuclear conundrum for years. And I think the upcoming public referendum that's going to be happening on the 23rd isn't so much about a Fukushima hangover or other hand-wringing. It's about resilience and deterrence in this era of gray zone coercion from the Chinese.

DOUGHERTY: Thanks, Craig.

Mark, what role does the US play in deterring or disrupting the kind of coercive scenario? And what more should Washington be doing now?

MONTGOMERY: So, I've mentioned a little bit, the convoy operations, and we should be exercising them. A lot of the journalists on this have heard me talk about the fact that we -- shockingly -- with the enemy, we call China the pacing threat. We look to the Taiwan scenario as the most dangerous future scenario. We still treat the Taiwanese like a de-conflicted military. We have insignificant interoperability. We need to drive up interoperability between our forces. And that's despite the fact that the only country that can buy stuff from is us. Their own indigenous, plus us. You would think they'd be like the Japanese where we've moved from deconflicted to coordinated to integrated, but we're still down here at deconflicted. So driving that up it's useful. It's useful in the most dangerous scenario and it's useful in this most likely scenario. And we need to practice these kind of convoy operations mostly to demonstrate to China our willingness to do them.

And then I also think that there's a lot we can do in LNG. I think we can help with the spot markets. I think there's things we can do to signal to the insurers and the shippers, as Craig said, our seriousness that this won't be a gray zone for us. This will be a black and white. If you do this, we're not in the gray zone, we're in the black and white zone. And in the black and white zone we're going to do X and Y and Z, which is hard in a democracy, but we absolutely have to do this.

The only thing harder than one democracy responding in a gray zone incident is two democracies working together in a gray zone incident or three or four, but we've got to figure that out and get working on it. In my mind, those are two of the big issues.

And I guess I would say continuing to push through with the Alaska, long-term, the Alaska LNG initiative, I think there's an argument about whether it's good for Alaska or not. I think it generally is very good for Alaska. And for the purposes of this tabletop exercise, it's very good for Japan, it's very good for Korea and it's extremely good for Taiwan. And so I'd be pushing that.

DOUGHERTY: Got one more question. I'm going to provide it to you both for a response, but for those journalists on the call, now's a great time. If you'd like to get in the queue, you can go to the raise hand feature or you can jump in on the chat, either one.

So to you both, if you could offer one or two pieces of advice to Taiwan's leadership based on the results of the tabletop exercise, what would they be? Craig, we'll start with you.

SINGLETON: Sure. I mean, I think we've touched on it a few times, but first I would say start to move fast to diversify away from Qatari LNG. I think our tabletop showed just how quickly Beijing could exploit that dependency, both by influencing suppliers and by potentially even interdicting shipments.

And the good news I think, is that the timing of US trade talks with Taiwan is ideal. I think there's an opportunity for Taiwan to use the current momentum to strike a deal that locks in secure, politically reliable energy from the United States that could come online far, far sooner than some of the longer term Alaska plays that Mark mentioned and that we see moving through the pipeline.

And I think second, they need to really treat energy resilience as a pillar of national security, not a technical afterthought. That really means accelerating nuclear decisions, stress testing grid operations under strain, and making resilience across government priority. And the current administration has pursued that last pillar.

I think in a gray zone conflict, the ability to keep the lights on isn't about electricity. It's about keeping society confident and cohesive and capable of riding out coercion. And I think Mark, in my view is that this is absolutely on a time horizon for the next few years and they have to start preparing today to get ahead of this threat for tomorrow.

MONTGOMERY: So I agree with everything Craig said, and I'd add in, they need to continue to prepare their public for the malign influence operations that's going on. We didn't mention that as much, but Craig played those as well where you're creating false stories, particularly maligning President Lai and his senior leadership, calling to question the credibility of their leadership. And you just have to prepare the public for what the art of the possible is. And that art of the possible is getting greater and greater with both AI tools, but also just Chinese skill development in doing these malign influence operations. So that's number one.

Number two, we've been leaning on them, buy these, focus your defense spending on these counter-intervention army forces. And I'm all for buying Javelins and anti-armor and man portable air. They need all that. I get it. But they still need to invest in the air and maritime forces that are necessary in the day-to-day operations and in these kind of more likely partial quarantine or embargo operations. And we didn't mention as much the air, but there's an air component as well. So they're going to need to buy those things.

I'm not saying go buy Arleigh Burke destroyers or F35s, but they need stuff to maintain good high quality situational awareness and an ability to reach out and work with the United States. And I just double tapped the societal resilience.

President Lai has been, since he took over, he has made societal resilience one of his top two priorities and he personally leads a task force on this. And we see many of the issues we've detected in both the financial TTX last year and this year's energy TTX already being tackled. Now we can help inform that a little bit with the results of our TTX, but there's no doubt in my mind that President Lai is already on top of this and he's got dedicated leadership at his National Security Council working this issue.

So I'm impressed with that part. But the first two, the influence operations and the building their air maritime, they're going to have to continue to work hard.

DOUGHERTY: Gentlemen, thanks to you both. Great insight.

We're going to go to the question and answer portion. We're going to start with Tim over at Semafor and then we're going to move to Chris Buckley. Tim, over to you for your first question, please.

TIM MCDONNELL: You can hear me right?

DOUGHERTY: We can, yes. Thank you.

TIM MCDONNELL: Great. Thank you guys so much. It was really, really interesting. It touches on a lot of super interesting and important topics here. Two questions. One is if you could say a bit about how you feel about the willingness of the DoD at this point to use naval force to sort of support LNG shipments or even oil exports, whether we're talking about Taiwan or other routes where US energy exports are going overseas. I mean, how much of a sort of willingness or preparedness do you see for the US at this point to use military force to back those up in cases where they might be threatened?

And my other question is, I am actually based in Ukraine. There's a lot about this conversation that reminds me of what I cover over here and the sort of manipulation of energy resources in this war. And I wonder if there are any lessons that you take away from the Russia-Ukraine experience that you think are relevant here or revealing about what to expect as far as energy being deployed as a tool of war in other contexts in the future?

MONTGOMERY: I'll take the first whack at that and then pass it to Craig. So first on the idea of a willingness of DoD to use naval forces. Look, I don't think it's been discussed in the kind of discrete detail it needs to be because we tend to be, inside DoD, to be focused on the most dangerous scenario. And one of our goals in doing this is to generate this. And FDD is putting out a pretty extensive monograph on convoy operations, the necessity for maritime convoy operations in an energy scenario in Taiwan, separate from the report that Craig is going to lead on this tabletop exercise. So we'll get something out on that because we absolutely need to work on it.

I don't know that there's a lack of willingness, and certainly if I frame it for President Trump is: we are moving our resources to be bought by an ally or partner. I think he'll like that. Just generally my gut reaction on how you appeal to President Trump, this is a pretty winner. Saying we're protecting Qatar resources going to Taiwan might not ring the bell like US, Australia or Japan, but particularly US. So that's the first.

I don't think the predicate work' hs been done. Like you, I spent a lot of time in Ukraine. There's a lot of lessons learned from Ukraine that can be applied to different scenarios. I would say this one's a little different. As you know, the whole how Ukraine gets gas is a convoluted system and doesn't lend itself to understanding two countries are at war with each other all the time. So it's a little different than here. There are a ton of lessons when in our other meetings, Craig and I met with their equivalent of DIU, their MOD, the chairman of their joint chiefs and their joint staff. There we had a lot of discussions of lessons learned from Ukraine that Taiwan can go.

I'll be honest, Tim, that the energy ones were a little less just because of the delivery mechanism is different. The one place where I think there is really strong overlap is the resilience of the grid to cyber attack. As you know, the United States had a lot to do with why they were okay. Not all, it was a lot of Ukrainian work, but from 2018 to 2021 because of the work Senator McCain did and others, we had a pretty healthy program going post ... It wasn't driven by not Petya It was driven by the energy attacks in the winter. But because of that, we had an aggressive program going on, working with them on grid security.

I wish we were doing the same thing in Taiwan. We're not yet. So that would be one good lesson learned in that cyber, the cybersecurity of the grid.

SINGLETON: Yeah, I would just say that I think you're right. It's great to meet Tim. I think Ukraine shows that energy is one of the fastest ways to undermine a country's will. And obviously Russia targeted power to free cities and to fracture cohesion and the forced concessions. And I think Beijing is absolutely studying that playbook.

Taiwan's reliance on imported fuel. Remember 97% plus by sea means that even modest disruption could create the same sort of pressure. And the difference is that Taiwan's energy lifeline runs through contested waters, making it even sort of more vulnerable to coercion.

I think that Beijing's ultimate goal is to dominate, to subjugate Taiwan, not to destroy it. And so they have every incentive to avoid a radiological disaster. And that's why an energy quarantine is so attractive to the Chinese. It can throttle Taiwan's economy and strain public morale and force political concessions. And so I think ultimately in the China-Taiwan context, I would say China, they don't want a smoking crater. It wants a compliant, subjugated province and energy coercion gets them very close to that.

DOUGHERTY: Thanks to you both. Missy Ryan and Mr. Hand, my apologies, I will be getting right to you. But next we're going to go with Chris Buckley's question. Did you have an opportunity to share your tabletop exercise findings, especially on moving LNG away from Qatar and on nuclear to Taiwanese leaders and officials, especially President Lai? What reaction, how developed is the discussion in the Taiwan government and power sector on energy security in a crisis? And my apologies if I got any names in there wrong.

MONTGOMERY: So we did debrief it, but in fairness to those leaders, I mean, I think keep their reactions to them. They can talk to what they feel about this situation on both nuclear power and LNG. I will say President Lai has spoken extensively on LNG and his desire to increase the work with Alaska. So I think I will take his actions on that. And that predates our game. But I think our game reinforces everything. I would hope that our game reinforces his thinking on that.

Craig.

SINGLETON: Yeah, no, I mean we have this upcoming nuclear referendum in Taiwan, and I think while it's really risky to predict outcomes, the trajectory, I think it's pretty striking. Some polls suggest as much as three quarters of the population could favor a return to nuclear, and that would be a political earthquake in Taiwan, especially for the DPP.

I think even if the referendum falls short, the debate has already shifted. Energy security is no longer this abstract issue. It's tied directly to national survival. And in Taiwanese politics, I think that's a bit of a game changer. So even if this upcoming vote fails, it feels to me like the genie is out of the bottle and energy policy is now like a national security issue, not just an environmental one.

I think on the current, obviously current domestic politics in Taiwan are quite intense and they're polarized, but I do think energy security could maybe be one of the few areas where the DPP and the KMT find some overlapping interest. Both parties understand the island's dependence on imported LNG. They understand it's a strategic vulnerability.

That said, I think the broader political climate in Taiwan remains very, very turbulent. The defense budget debates, the recalibration of US-Taiwan ties, and sort of this constant drumbeat of Chinese pressure mean even areas of potential political consensus would be contested. And so this referendum might create optimistically a narrow bridge between the two parties, but the road ahead is still very, very bumpy.

MONTGOMERY: Can I ... ? And one thing, and correct me if I'm wrong. I think when you say when this referendum fails to get there, you don't mean the nuclear power probably winning? There's also a second requirement of 25% of the electorate voting. I think that's probably, if anything, they might not trip. It might be the 25% 'cause I think there's only seven legislative recalls going on at the same time as opposed to the 21 earlier. So I think they'll get the 50% for nuclear power, but I don't, that 25%, might -- total percentage of the voter participation might be a tougher bridge.

SINGLETON: Yeah, no. For folks in the call that are not in Taiwan, there's been a lot of political people recently with the number of recalls of KMT opposition lawmakers. We were in Taiwan a few days after the first series of recalls that failed spectacularly. None of the KMT legislators were recalled, and that sort of pardoned KMT opposition to a lot of DPP policy.

The current August 23rd nuclear referendum, a question is going to the population, should we restore our recently shuttered nuclear power plant? That question is being asked publicly on the same day as a series of other, a smaller number of recalls of KMT legislators. And so it's unclear how many people will come out and if they'll reach the public threshold required to formally decide this question of go nuclear again or stay where they are.

I guess I'm cautiously optimistic that there's enough fervor and enough interest in this that they will hit that number. But even if they don't, and the referendum is something of a nothing burger, I do suspect that the current DPP administration is going to have to find ways to creatively pivot here on nuclear just because exercises like this so clearly demonstrate how vulnerable they are.

DOUGHERTY: Missy, over to you for your question.

MISSY RYAN: Hi. Thanks so much. This is super interesting. Just wanted to ask a question and sorry, I've had to dip in and out, so I apologize if this is a repeat. I'm wondering, this is a little bit out of the box, but I'm really interested in the whole discussion around energizing the defense industrial base and particularly shipbuilding. I'm wondering how you guys, when you're thinking about American naval vessels accompanying LNG ships or whatever role in this scenario that you guys are looking at or other scenarios vis-a-vis Taiwan, how does that come into play? Because there's a lot of attention on it right now, as you guys know, in DOD, in Congress, the administration, but it seems like it's a really challenging situation to actually change. How does the shipbuilding deficit play into all of this?

DOUGHERTY: Missy, you came to the right place.

MONTGOMERY: I think about this a lot. Look, I worry about our naval capacity for the big one, for the most dangerous scenario. I definitely think there's issues there that involves a number of attack submarines that are available in our sad construction rate of like 1.2 submarines per year while we're retiring more than that, and we're dipping way below our stated requirements, 69 or 70 attack submarines, and we're in the low fifties, now headed to the high forties. That's a real issue. In this case, these escort ships, these ships exist and destroyer squadron that's in Japan already, and the ships that are forward deployed from Hawaii and San Diego into the Western Pacific, I think they're okay.

I will say though the demand of the Middle East over the last, since October 7th of 2023, has made less ships available in the Pacific. There was a demand beyond what was expected. We don't have that Star Trek thing where they move being between fleets. We really are hurting, and particularly a whole aircraft carrier strike group, and sometimes two, being committed to the Middle East makes it so that we don't have enough forces in the Pacific. And when you combine that with an anemic shipbuilding, maritime industrial base, that puts a lot of pressure on our day-to-day routine ops, which is what this is. This would be your routine ops kind of surging forward and doing these convoy operations. So do I think we could do them? Yes. Do I think we would feel stress in the Navy? Yes. Do I think it's as limiting as the real challenges we have with fighting the most dangerous scenario? No, I think that's probably where you feel the pain the most. But Bridge Colby and other leaders in the Department of Defense would 100% understand the priority of this tasking.

That doesn't mean they'll do it, but they would understand that this is, if you believe you need to deter China and you've written a book on it, and if you believe that Taiwan's the most dangerous scenario, which most of us do, and it's the point where China's making its move, then you would contribute forces to get this done. So it's still doable, but you're right to point out the anemic maritime industrial base. And then I would also add the significant commitment of forces to the Middle East, those maritime forces there. Ukraine has not caused any problems here. We just haven't committed maritime forces in a way that's meaningful, but the commitments to the Middle East have.

SINGLETON: Yeah, I would just add-

DOUGHERTY: Mark, you-

SINGLETON: I just wanted to add that I think it's a great point for the US convoy protection is only as strong as the ships and escorts you can put to sea, and here, of course, the defense industrial base is a limiting factor. We've got a real shipbuilding deficit as Mark mentioned. Our yards are slow, they're expensive, they're already stretched, I think, to meet some of these current needs. That makes sustaining a large sail convoy over time, I think a real challenge.

I'll tell you who doesn't have that problem, China. It's commercial shipbuilding industry is the largest in the world. It has the ability to surge auxiliary and I would say merchant hulls into these gray zone operations. So in a contest of endurance, I would probably argue that China can replace and repurpose tonnage far faster than we can, and linking its industrial advantage directly to a coercive leverage at sea. And so yes, we can protect convoys, but we can't build our way out of a prolonged shipping fight unless we make the right investments, and China can. And that's I think a big part of China's calculus is they examine scenarios like this.

MONTGOMERY: And I'd add one other thing too. This is where Japan joining us would be big. Australia, I love them. You might get two ships out of them, just on the number of ships they have and how many are available. Japan on the other hand, with a $55 billion budget has built, which is now growing, but $55 billion budget for years, has built an enormous maritime force. Literally 100 surface combatants, all of which happened to be located near Japan. So that if they were to participate with us, it would be a real force multiplier, under US command so that they could take a bit of a step back, but from the leadership of it. But in doing that kind of peacetime assignment of convoy operations, they'd be a real benefit.

MISSY RYAN: Thank you.

DOUGHERTY: This is a quick reminder that if you arrived late or have had to dip in and out of the call, we are recording this. We'll have the video up later on today, and we'll share that link with you as soon as it's up, and we'll also have a transcript of the call available within 24 hours. Next we're going to go to Bochen Han of South China Morning Post. The U.S. Congress is working on NDAA, which currently authorizes one billion for the Taiwan Security Cooperation Initiative. Yet we've seen congressional pressure be sidelined when it came to President Lai's transit being delayed, canceled. How do you think this is shaping Taiwanese perceptions of the U.S. commitment?

MONTGOMERY: Let me let Craig talk to President Lai, I'll talk to TSCI. FDD's a big supporter of this when it started a year ago, and on this reauthorization, we've certainly been engaged on it. It happened last year and it was spent. It was a smaller number, I think it was in the 300 million range, 300 to 500 million range last year. And I wouldn't guarantee a billion this year. The appropriators, I think have marked about a 500 million against it so far. We'll settle on a number. Somewhere between 500 million and a billion, a billion will be authorized, but maybe 750 will be appropriated, who knows? But look, that is an important thing because it is getting spending going, and it allows third-party countries to get involved. It's a really good initiative to get a way to assist a country. We got to recognize China is 22 or 23 times the GDP of Taiwan. This isn't even Russia-Ukraine. This is five times Russia-Ukraine. So supporting, that's reasonable.

And the reconciliation, the Big Beautiful Bill, I think there was about 850 million around that number, maybe 875, and the equivalent of PDA, Presidential Drawdown Authority authorized for Taiwan, it doesn't use that word, this is Congress, we have to make up a new word, but it's like replenishment for transactions otherwise executed, something like that. But we are doing this. I would tell you the biggest thing we could do to help Taiwan is fix foreign military sales. We're telling Taiwan, spend 3%, spend 4%, spend 5%. People who don't understand budgets say 10% of their GDP on defense. They can't do that unless some other country's going to step in, which hasn't happened. That's the U.S. selling.

And right now, we are only able to deliver about four billion, four and a half billion dollars a year worth of FMS every year. And that's only about 0.5 to 0.7% of GDP. So you're not going to get to four, five, 6% or three, four, 5% without the United States improving its Foreign Military Sales program. And it would have to improve 400 or 500% for them to get to the spending levels we'd like them to get at. And no one who deals with foreign military sales thinks they're going to get 10% more efficient year over year, much less three, four, 500% more efficient.

SINGLETON: Yeah, I would just say that on the bigger picture, the macro picture, I think President Trump has always viewed Taiwan through the lens of great power competition with China, not as an end in itself. And that doesn't mean he's ready to trade Taiwan away, but it does mean his priorities start with the broader U.S., China equation. And if Taiwan keeps investing in its own defenses and buying U.S. systems and avoiding Beijing's provocateur trap, I think there's every reason to believe the real risk lies in China overplaying its hand, not in Washington abandoning Taiwan. And so for me, I think the big takeaway is sort of like Trump plays for advantage with Beijing, but that doesn't mean Taiwan is a bargaining chip, perhaps unless Taiwan stops playing smart. And we'll see how this plays out over the next few months.

DOUGHERTY: Mark and Craig, I'm going to give you each 30 seconds to summarize your thoughts before we head out of here. But first, a couple of quick items before we depart.

First, again, thanks to you both for participating. I want a special shout out to Ellie Bufkin in the background who has made everything run very smoothly. Ellie, thanks for your behind the scenes support, and thanks to each of the journalists on today's call. Just a quick reminder that FDD is a nonpartisan research institute focused on national security and foreign policy. You'll find all of our research at FDD.org. You can reach the comms team at press@FDD.org to arrange an interview with Mark or Craig. By the way, both Mark and Craig do travel to that region as well as Mark travels to Ukraine. So if you'd like to talk separately about those issues, we are happy to set up one-on-one conversations on that. All right, over to Craig first to wrap things up and then we'll conclude with Mark.

SINGLETON: Yeah, no thanks, and thanks again everyone for dialing in. I know it's late in Asia. I guess my biggest takeaway is that Taiwan's energy dependence is an Achilles heel. Beijing can exploit this issue without firing a single shot. And in a gray zone campaign, China can leverage its maritime dominance, its legal warfare and cyber tools to choke supply and test Taiwan's political resilience, and nuclear power does, in my view, change that calculus, providing a lot of continuity under coercion, and I think it really complicates Beijing's playbook. So the U.S. needs to help Taiwan diversify fast, cut exposure to vulnerable suppliers like Qatar, and probably prepare for a contest of endurance because I think that's exactly how China is thinking about this issue.

MONTGOMERY: Thanks. My 30 seconds would be, look, I'd much prefer deterrence deterring China than to have in any of these scenarios, most likely or most dangerous, to try to defeat them in it. I think it's a lower cost to U.S. forces, either in casualties or in readiness expended. But to deter them, you have to actually build the right capabilities and capacities. You then have to exercise them. You have to signal that you're willing to use them and not get mixed signals from different OSD officials. And then finally, you have to build the alliance, take advantage of your allies and partners. We are playing a long distance away game here, six to 8,000 miles for a lot of our forces. They're paying a tight home game, 50 to 80 miles for their forces. We need allies and partners to support that, but it has to be backed up by investments, by messaging, and by exercising.

DOUGHERTY: Mark, Craig, Ellie, thank you all. Hope you guys have a great day. This does conclude today's call.