Energy Wars: America, Iran and the Battle of Hormuz

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Featuring Richard Goldberg
Hosted by Mark Dubowitz

DUBOWITZ: Rich Goldberg, welcome back to The Iran Breakdown.

GOLDBERG: Great to be here. Thanks, Mark.

DUBOWITZ: So Rich, this is our 66th episode since launching in March of last year, and you've become my favorite go-to guy on All Things Iran. Today, I want to talk about not necessarily the war or nuclear issues or necessary sanctions and all the things that we typically talk about. I want to talk about energy. And you are the perfect person for that as well because you helped set up the National Energy Dominance Council at the White House. And I think because of the great work that you've done and the great work that the President's done on energy issues, the United States is much better prepared for this Hormuz crisis that we faced and much better prepared to hopefully see this campaign through against the regime in Iran. So let's talk about that. Maybe start off, Rich, a little bit about what the National Energy Dominance Council is and maybe use that as a segue to talk about the United States and our energy dominant position today, and then we can talk about the Iran issue specifically.

GOLDBERG: Yeah. The National Energy Dominance Council, you heard the president in the recent round table say that he loved that name, Dominance Council, smart name. The idea basically behind it from the President, Secretary of the Interior, Doug Burgum, Secretary of Energy, Chris Wright and others, is that historically we have not had an all of government coordination cell organ policymaking council within the White House, within the executive office of the president for energy, which is crazy if you think about how enormous it is to our domestic economy, to the future of the country, and obviously to our national security. And maybe 30 years ago in a very different energy world, it was fine. You just needed the National Security Council folks to say, "Hey, what's going on in this part of the world? What's going on there?" You have a couple of econ folks to track some domestic energy issues and that was it.

But today with the giant that American oil and gas has become, the relevance of power and energy for power that's needed with how much power AI consumes as you continue to need more and more to meet the demand of the hyperscalers. If you want to win the AI race and unlock the next algorithm, you need to have a group of more than one or two people who actually has eyes on all the different agencies of government for all the different pieces of the energy economy, both domestically and internationally that you need to have eyes on. Otherwise, you're going to do maybe one thing that's interesting over four years of an administration and you won't get all the other things done. And so we put together a council that would have people who have direct oversight and coordination on all oil and gas issues, on all power related issues, whether that's nuclear power, coal power, et cetera, mining and minerals when you think about supply chains and the context of control of the periodic table.

And so this group exists in the White House. It has political leadership, commissioned officers of the president. It has a group of very seasoned policy experts recruited from the private sector. And they're coordinating across all the different agencies of government to say, "Hey, where are we? Where do we need to go? What else needs to happen? How do we cut red tape? How do we go faster on permitting? How do we do bigger and bigger projects to keep increasing America's leverage in the world from an energy perspective? Keep lowering prices as much as you can in the United States. Make sure energy at a low cost can go across the United States in all directions. Make sure we're insulated from national security threats, but not just be energy independent, which at once upon a time was the goal, but also be energy dominant, which means having so much abundance of energy that we are selling to the world that we're hooking more and more countries onto our energy supply chain.

And we're using that energy abundance, not just for the domestic consumer, but also to influence outcomes in world affairs as well.

DUBOWITZ: Okay. So you were part of the National Energy Dominance Council. You're also in the first Trump administration working Iran nuclear issues. Many years in Congress as one of the lead architects of the sanctions campaign against Iran, your US Navy, so you understand the importance of maritime power. So really bringing your experience and multiple perspectives to focus in on the issue at hand. And the issue at hand is Hormuz, the crisis over Hormuz. And the question about the two clocks that our friend Aaron MacLean just recently wrote about in *The Free Press*. And I guess the first clock is really our ability to get oil out of Hormuz, build alternatives to Hormuz, and make sure that the president's energy clock is ticking and we're getting enough oil into oil markets so that the price of oil is at least stable. And the second clock is the political clock, and that is the clock towards midterms, which is now only a few months away.

And the vulnerability that Republicans may have in both the House and in the Senate. And that the Iranians know that, right? And they're going to spring some kind of October surprise potentially on the president, maybe escalating militarily, but certainly focused like a laser on that price of oil. So let's talk a little bit about the price of oil because Richard is elevated. I think it's now Brent is what? Over 90, by 91, $92? WTIs. Mid 80s. Down from $126 at the height of the Iran war, but certainly up from the low 70s or 60s before the war. So certain energy vulnerability -

GOLDBERG: And up from the lows of the MOU, we should note, and sort of the initial view of relaxation. There's a ceasefire, oil's going to get out, et cetera. You saw that go back down on WTI at least just below 70 and hover around the low 70s for a while.

DUBOWITZ: Right. But the reality today is oil is, again, it's not at 126, but it's slow 90s.

GOLDBERG: There's a pressure going upward. There's fear in the market. There's uncertainty. There's a lot going on in the market. And by the way, I think it's actually important to note there's a lot going on in the global market that is not necessarily to do with Iran. Yes, the Houthis have to do with Iran. Red Sea fears, initial sort of risk premiums that started pushing up, what's going on, the Bab el-Mandeb, that has to do with Iran. But Ukraine and Russia, yes, it's all linked. Yes, all of our enemies are working together. Yes, Iran and Russia are linked on the battlefield in many different ways. But if Ukraine is targeting Russian refiners, that has implications in the global market on refined product, which is further constrained by Hormuz. And so we lose that in the conversation sometimes, but it's important to note that certain things happening in the marketplace aren't all just about Iran.

DUBOWITZ: Okay. Yeah. So let's talk about the global marketplace, but let's also specifically zero in on what's happening in Hormuz and some of the messaging that's been coming out of the White House, out of the Department of Energy. What exactly is going on in Hormuz right now from an energy perspective, Rich?

GOLDBERG: Yeah. So if you step back and think about grand strategy here, the big picture, what's going on, what do we need to do to win, to have victory? I wrote a piece in the New York Post beginning of May, feels like ages ago. And it was three easy steps to defeat Iran. Number one, you have to actually have a blockade and enforce it and have a strangulation strategy to just squeeze this regime, all of the lifeblood out of the regime financially and destabilize it. At the same time, while you keep the blockade up, you need to get oil out of Hormuz and other product out as much as you can and need to do so militarily, not by paying any sort of extortion racket. And if Iran tries to interfere with that, if they try to fire on things, you fire back in mass, you unload against all their capabilities to deter, to threaten, to halt traffic through the strait of Hormuz and ensure that they're also not targeting energy infrastructure on land.

And at the same time, go 150 percent Trump speed ahead, as they would say in the White House, on all of the bypass mechanisms that need to get built out. Acceleration wherever you can, squeeze out every barrel from around the world, but build, baby, build throughout the Gulf on new energy infrastructure and accelerate those plans so the market sees them and knows that there's more supply coming behind it. And the regime will see this. And combined, you will not just be creating America in a strong position globally in the energy market even further, but also making it very clear to the regime that their days are numbered, they're running out of money, the blockade's being enforced. We're not getting tortured in the energy market the way that they wanted us to because we're getting oil out. And the clock is ticking on Hormuz as an asset anyways because we're accelerating all the other buildouts throughout the Gulf to move oil over land, to move gas, to move byproducts, to move refined product, et cetera.

And their time is up. That will either get you a much better concession out of the regime if you still had hopes of some kind of concession and negotiated agreement, or we'll also accelerate the destabilization of the regime itself and hopefully a transition if we're doing the right things on the ground for the people as well. That appears to be the trajectory that the president has taken, perhaps taken a little longer than people would've liked, maybe a little detour with the MOU. But if you look at what has gone on over the last couple of months, while we apparently thought that Project Freedom was canceled, it was started and halted within 24 hours, the Saudis said, no, you can't use our airspace. And we all freaked out, oh no. And then we had this MOU. What happened beneath the radar, quite literally, is that central command had a standing guidance clearly from the White House to do whatever they could creatively without people noticing, to build a military strategy, to have a military assisted escort program to get oil out of Hormuz.

And at the same time, target and degrade all of Iran's capabilities to continue to interfere with those machinations, with those plans. And we saw the 13 days of strikes, 13 nights of strikes from Central Command. We saw now the ability of the United States to continue to get oil out of Hormuz. And here we find ourselves now a few more weeks into a blockade, the actual instability inside the regime starting to rear its head and various signals going on that they are hurting, they are squeezing and the pressure will only build from here. Meanwhile, we have the Secretary of Energy saying we are getting eight to nine million barrels per day out of Hormuz today. Now that's a lot higher than analysts outside of the US government claim because the analyst community is relying on software and subscription services, tanker traffic people, bean counters that are using satellites and indicators from signals of ships and trying to compare things in real time and say, "We only saw this many ships get out last night.

They couldn't have been carrying that much oil or byproduct or whatever they were carrying. So we think this is how much oil's coming out, three million, four million barrels per day." And you suddenly hear the Secretary of Energy say, "No, it's nine million barrels per day. We got 20 million total product out of the whole land and sea combination on a week ago Sunday, pre-war levels for a day." And everybody loses their mind. How's that possible? It's not true. He's lying. It's terrible. It is true. It is true. It's not consistent maybe. We can't guarantee it's going to be X number on any given night. But on average, this is what he's seeing because he's not the one, the Secretary of Energy is not the one reporting the numbers. He's just telling us what the numbers are as a Secretary of Energy. The reports of the numbers are coming out of central command.

They're coming out of the Navy's element of central command NAVCENT because there's an actual military program going on. And what's happening, and the people inside the actual customer community know what's happening because they're still getting product. And ships are moving out. They're registering with central command. They're saying, "Hey, I've got this much product. I want to go tonight. When can we go?" They register. There's a program. I don't know all the details. I don't want to know all the details. Those should remain very secretive. And the ship comes out under US escort, under various, I'm sure, technology and scrambling of GPS and whatever else we're using, spoofing, et cetera, to try to confuse the Iranians, get the product out onto the other side of the strait of Hormuz. There's a lot of ship-to-ship transfers going on to move that product quickly out to market.

And then these brave captains go back in and they're bringing out more and more product every night. And this just keeps going on. And the Emiratis seem to be driving this. The Saudis may quietly be involved. There may be product from other Gulf countries who have been cut off from the Strait of Hormuz that are part of this very quietly under the radar. And that is why we're not shooting back up to $120. That's why we're not. Now, that doesn't mean there's not upward pressure in the market. Doesn't mean that the market isn't tight. It doesn't mean, by the way, that we might not still be running a slight deficit when you start adding up the overland pipeline with the number we're getting out. And even with the increased export from the United States and Argentina and other places, Venezuela and other places in the world.

But we're a lot closer to equilibrium than we were before. A lot closer. And if the US can continue that trajectory, if you can get 10 million barrels per day out, 11 million barrels per day out, you will have cracked the code. You will have basically won while the blockade is still up. Now, there's a lot of flip sides to this. There's a lot of counter arguments. I'm going to be full disclosure here. The refined product market is under enormous stress right now because not just the decline in refined product that's come out of the Gulf, but also the refined product that's come out of Russia to Europe most particularly as a result of Ukrainian strikes on Russian refineries. Now, that is why you're seeing in the news all this stuff about diesel and fuel oil and it's all real. Do we have a supply problem in the United States today?

We don't. It's tight. We don't have a supply gap or shortage. Our refineries are meeting the demand as well. So our exports of refined product from the United States have increased alongside our overall crude oil exports as well. But there's huge demand on US refineries to try to make up some of this gap. So that increases pressure, that increases prices for the US as well. And in industry, the same way that you, the consumer, the retailer are tracking the price of gas at the pump for your car. Industry is tracking diesel. Industry is tracking other elements and byproducts and their prices. And as Europe is scrambling and Asia is scrambling for product, that's putting pressure on the system and elevating prices. So that's economic inputs that the White House has to account for, has to be looking at. Consumers, retailers, industry, everybody's looking at and talking about, that's a pressure point.

You have to continue to try to solve for that as much as you can. They are doing a great job, in my view, getting more product out of Hormuz while the Saudis are pushing Max product out into the Red Sea. While the Emiratis are pushing max product out, they can south this rate of Hormuz at Fujairah and continuing to build out more and more of this alternative infrastructure at the same time.

DUBOWITZ: Okay. So I want to go to this alternative infrastructure because you've mentioned now the Saudis, which is this East-West pipeline that takes product into the Red Sea and Emirati is taking product into Fujairah. Tell us a little bit more about those pipelines. Tell us a bit more about what is happening in terms of pipeline infrastructure, investment, expansion. And also, what are the risks? Because if you're the IRGC and you're seeing these numbers and you realize that you're losing your leverage over Hormuz, what are you going to do if you were them to ensure that these pipelines don't get used, don't get built and cannot be leveraged by the Gulf and by the United States?

GOLDBERG: Well, there's a couple things there. Let me give you the state of play of the actual pipelines as we know them, the potentials for where they could go, and then talk about risks, not just on pipeline construction, but risks of escalation at the moment that just need to be factored into how we're thinking about this and what's going to happen next. On the pipelines, you have two overland pipelines that matter right now. The Saudis have an East-West pipeline that goes from the Persian Gulf all the way across the country to Yanbu at the Red Sea. And they're loading there all the time. The max capacity is reached right now, seven million barrels per day of flow. The Saudi Aramco earnings report, they sort of released an update in the last few weeks, have given us more granularity on what's happening there. About five million is going out to market and two million is going to refineries for refined product.

You also have two million barrels per day coming down from UAE Cross Oman at Fujairah that we talked about. That's max capacity as well hitting all cylinders. So you got seven million total product going through the East-West pipeline, two million going through Fujairah, you got two million of the seven for the Saudis going to refined. That's the picture there. The Saudis reportedly, I don't think they've confirmed this yet, but there's been reports that they are considering an expansion of the East-West pipeline very rapidly to add up to two million barrels per day additional capacity there. Believe they will need to expand the actual offloading capacity and facility at Yanbu. Nice to have more pipeline capacity, but you're going to have to account for the ability to export that quickly as well. But they could do that. They could have expanded construction there. ADNOC, which is UAE's major state oil company, has already announced that they're over 50 percent of the way through with a second pipeline that will mirror its existing Fujairah pipeline and add another two million barrels per day, which will take them basically to their max capacity of oil export.

And remember, they've left OPEC. They're not subject to any caps anymore. And they probably figure this is a world that is divided on the future of oil. There's pressure from the Europeans and others to continue to cut against oil and move to alternative energies. Who knows what will happen in the United States after Trump? Let's get all of our oil out there in the market. Let's make as much money as we can right now. So let's go full four million barrels per day export, which I expect them to do. The Saudis would add on theirs. What about Iraq? Iraq has a decent amount that's trapped as well in Basra. Yes, they have a pipeline up in the north of Iraq that connects through Turkey and goes around to the Mediterranean. But if you're in Central or Southern Iraq, you've been totally reliant on exports out of Basra and those have collapsed.

Probably some of that in this covert operation that's going on right now through the Strait of Hormuz. But a lot has been shut in. A lot of the production has gone down. And so it would make a lot of sense to unlock another two, three million barrels per day coming up with additional construction that allows a new pathway out of Iraq that doesn't rely on the strait of Hormuz. That's going to have to happen. The Saudis could move north with new pipeline construction and link up in Iraq and move products somewhere to their liking. That could also, by the way, swing back around to Jordan. It could swing across to Haifa, go out to the Mediterranean. There's been more simpler ideas of the Saudis building either straight up the Red Sea connecting to a lot and going on through an expanded Eilat-Ashkelon pipeline, or just going straight up to Jordan and coming around again at Haifa into the Mediterranean if you wanted to include Israel as part of the future vision of that India, Middle East, Europe economic corridor or IMEC.

Some stuff in the news right now about cutting Israel out of that and trying to have an oil pipeline from Saudi Arabia that swings north around Syria into the Mediterranean. Sounds more like Turkish propaganda to me. Not that if you actually though about where everything connects to from there, that a Turkish controlled Syria will be a reliable partner for Cyprus or Greece. And if you think about IMEC, the IMEC corridor is India into the Gulf, into the Eastern Mediterranean, and then up to Europe. The Eastern Mediterranean, what is that? That's Greece and Cyprus where a ton of the infrastructure build is going on, where Chevron has major offshore assets, where our LNG community has been building import facilities to move American LNG through a vertical corridor where there's already close partnership between Greece, Cyprus and Israel to build out additional energy infrastructure in the years ahead.

And they say to us in Cyprus, we're looking out at Erdogan. We're looking out at Turkey in Syria now. We're not going to connect grid there. We're not connecting an oil pipeline there. We're not taking off take from there. We're not going to rely on Erdogan's proxies in Syria. So I know that's in the news somewhat. I don't put a lot of stock into that. Maybe there are people in the US government who are trying to push that out as well for Turkish interests. But in the end, it's just not going to happen if you want IMEC to succeed. And by the way, the Indians don't want it to happen. They're already making investments in Cyprus. Modi's already been to Cyprus, announced various infrastructure expansions. They want to go through Israel and Cyprus and Greece along the way of the IMEC corridor. Okay. That last stuff, that's like way future.

If the Saudis wanted to, they could build the pipeline from Yanbu up to Eilat pretty fast. I mean, that stuff could happen very fast. The Israelis would have to expand the Eilat-Ashkelon corridor as quickly as they can. But in the Gulf, there's no EPA. There's no real setbacks of got to wait for this public hearing and this lawsuit and 30 years to build a pipeline. No, look at ADNOC. Out of nowhere, they're over 50 percent done with a second pipeline. How long have they been constructing that? I mean, that's going to be ready next year, they say. Wow, that is a fast pipeline build. The Saudis can do the same thing. They can help the Iraqis do the same thing. So I do think we are one to two years away from Hormuz being a completely different picture, no matter what. Risks, you mentioned risks.

Sure. Drones. Drones can attack the construction. Drones can continue to interfere. We've seen drones be used by the Iranians so far hitting energy infrastructure, hitting pipeline infrastructure. They have hit the East-West pipeline reportedly with drones. And the Saudis have run and done what they do very well and repaired very quickly and continued to keep the flow going. There are ways to harden. There's obviously counter drone defense that needs to be accounted for and scaled and be used in both the construction and once it's constructed, the actual operations. And so that will have to be something that is needed there. The US, by the way, could step in. This is something I advocate as part of this security guarantee and building out the security infrastructure and providing for it and helping scale it as part of a consortium, a Gulf-wide consortium for oil, gas, and other flow pipelines that we would help facilitate through the Development Finance Corporation and bring any willing producer into the consortium, get off-take agreements from Europe and Asia built in.

We will provide a security guarantee of some kind, and we'll take some equity in the deal. So the US taxpayer actually makes money off of it all. Everybody wins. This is actually a great idea. It's what DFC does and could do. So I'm bullish, very bullish on the next couple of years of Hormuz’s diminishing asset idea and direction. The immediate threat, in my view, is more about what Iran still can do today to escalate in the face of what we talked about, the United States getting eight to nine million barrels per day out without them stopping it. They are still firing on tankers. We see it every night. We see reports of it. The tanker tries to go through, their AIS is on, they get hit. Maybe some of the covert traffic gets hit too. It's hard to discern that in the reporting. Maybe they are lobbying everything they can right now in a calculated way.

They're trying to interfere, they're trying to track, they're trying to use whatever Russia or China are giving them as far as targeting support, and they're missing it. Our capabilities are outmatching their capabilities in covertly getting product to market. I hope that's true. That would be a great outcome here. That would mean their alternatives are simply trying to fire on fixed infrastructure, which means they would have to take the first shot against oil and gas and desalination and all the things we've talked about and worried about of infrastructure mass attack around the Gulf. And if they opened up first, then you have to believe both the Gulf countries are responding and the United States where the president said he was locked and loaded on all their energy infrastructure is going to take that out. And they have to calculate for that because then it is game over for them.

They know that. Yes, it'll be pretty horrific on the global market for a time. If that happens, it will be painful to the Gulf countries if they unload in that way. But it's also a murder suicide for the regime. And I think they know that. And so I think that's why that hasn't happened yet. But the pressure of the blockade is building. It will continue to build. They are going to be the cornered animal at some point that realizes they're out of room. They're out of option. And so if they have the capability to interrupt the flow of our whatever project freedom is underway and just haven't done it yet, that's possible. That's a worry. You have to think about that and that will have to provoke us back into military operations. If they decide it's Thelma and Louise time and they're ready to drive off the cliff and start opening guns blazing on all of the Gulf, then we know where that movie ends as well.

And then the last piece on the risk factor is have they in some way, the reporting suggests they have some way gotten greater control and coordination with the Iraqi militias and the Houthis to start firing on the Saudis, to start firing on the Red Sea, to try to interrupt the flow and the benefit that we gain from these from especially the East-West pipeline at Yanbu and the traffic that goes through the Red Sea. And there are some worrying pictures right now, and I think that's part of the upward pressure on the price of oil, of whether or not we are seeing a reduction in flows down the Red Sea and through the Bab el-Mandeb. What the White House, what the administration will say is we don't have a military program in the Red Sea. We don't have a military program in the Bab el-Mandeb. So our fidelity on data flow is, as a US government, is as good as the tanker traffic data that you're getting from an analyst at this point, right?

And from what the Saudis think is happening and what you might be reporting from partners. Unlike Hormuz where they have granularity, like there is some junior officer whose job it is on the watch floor to record with a ship captain, every product, every tanker, and report that up the food chain. We know exactly what's going on in Hormuz. When the president says we have control over Hormuz, that's what he's talking about. That's what he means by that. Unlike in the Red Sea, unlike the Bab el-Mandeb. However, you can go around the Bab el-Mandeb. It takes longer. It costs more money, but it doesn't mean that the oil has stopped flowing.

DUBOWITZ: Explain how you do that. Rich, explain how you do that too geographically? Yeah, geographically. How would you go around that?

GOLDBERG: It is quite literally a drag, but you have to go around Africa, up through, across Gibraltar, through the Eastern Mediterranean, down Suez Canal, down into the Red Sea, either to load up in Yanbu, and then go all the way back around. Now, if you're going to Europe, this is not such a hardship. And you can also try to redirect flows a little bit of where your customers are coming from in the product. So if Europe is the target market maybe for product at Yanbu, then you can concentrate on just going north through the Suez into the Mediterranean and deliver product into Europe. But if you're the Chinese and COSCO Shipping supposedly is saying they're halting all traffic through the Bab el-Mandeb, which is startling the market today and trying to wonder what does that mean exactly? This is the hand that feeds the Iranians that is now going to be potentially bitten by both Tehran and its proxies at Tehran's direction.

That has quite a phenomenal effect. And we should talk about the role of China in all of this by the way, because I think it's totally lost in the conversation. So let's come back to that. But they could take a lot more of the ship-to-ship transfer that's coming out of the eight to nine million out of Hormuz. That may or may not be good enough for them, or they can simply pay to go around Africa and come up and get their product at Yanbu the harder, longer, more expensive way, which already adds an additional premium onto what the Saudis already sort of charge, which is longstanding consternation of an Asia premium. So this is the reality that exists right now. So whatever happens in the Red Sea, and by the way, this is an interesting, confusing point here. The Saudis play an outsize role in a lot of this.

Their decisions, their geopolitics, how they see the world, their ability to move oil to market. I know there is always this tension of, we need the Saudis, we're with the Saudis. We can't really do much of anything if Saudi production goes down, if they're not pushing max capacity through the East-West pipeline. But then they remove our airspace capabilities and pull the rug out originally on Project Freedom supposedly. So we're like, "What's going on here?" They're calling us to coordinate and say, "Hey, we're not going to take it anymore from the Houthis after three, four years of relative peace. And this truce that was brokered by the Chinese with the Houthis and the Iranians, gloves are going to be off. We're going back to war. We're going to risk the Red Sea in the middle of all of this after we've told you to stop doing military activities and Hormuz and the Persian Gulf. That's a strange decision to pull the rug out of Project Freedom but then start throwing grenades into the Red Sea.

So there's a lot of confusion there. They called the president when they're actually under attack and need military support but then sign an agreement ostensibly to say they have a military pack with Turkey and Pakistan. And how's that working out for them? So there's a lot going on there to unpack, but I do want to come back to China. I do want to come back to China. Two big elements in the story of China right now. Number one, what they have done to ease the energy market, whether by design, whether to protect themselves. It's hard to imagine they're doing us any favors. So it has to be out of self-interest. They have artificially or somehow destroyed demand by a few million barrels per day. That's coming back up a little bit. There are signs that that demand is increasing. It's something to watch. But as they're increasing their demand and their imports of oil, which had gone down dramatically over the course of this conflict, which if you pull demand out of the supply and demand side, we only talk about the supply side and track the supply side.

If demand collapses, while supply is even, that obviously has an impact on price. So Chinese demand goes down. While we continue to try to get more supply goes up, you can keep oil at a certain price. If Chinese demand goes up while you're still struggling on supply, then the price is going to have additional pressure. But remember, the Chinese had also banned the export of their product, especially their refined product early in the conflict. They've started to loosen those restrictions as they've increased some of their imports. Again, seeing the diesel market so tight, seeing refined products so tight. So they're now allowing more and more of their refined product to go to export the way that we have obviously maxed out on our export opportunities. So watching China's decision making in global energy markets, supply and demand, very important factor here that goes completely, not completely.

There are some people, Javier Blas over at Bloomberg, others do watch this and report on it. But if you're just on X living there and following stories about the oil market, you're missing this story. The other piece of this, of course, is that they are the ones that continue to be under stress and threatened by their supposed client state, by their ally who they've been helping. And at what point are they going to put more muscle into this to defend their interests? Will that happen? Is that happening? What is the diplomatic element here? What is the economic element here of the pressure on the regime? If COSCO Shipping is really now under attack and under further stress on the imports of China, not just because of a showdown in Hormuz, but now the Houthis against the Red Sea, that's one more strike against the regime in Tehran with the Chinese.

And what does that conversation look like between the White House and Beijing right now? It's an important one. It should be happening.

DUBOWITZ: Well, it's interesting. I mean, we'll see what Treasury Secretary Bessent is going to do over the coming days. Certainly, there's been noise at a Treasury in the White House that they're about to significantly intensify the sanctions. And does that mean sanctioning Chinese refineries, Chinese banks, really going after the role that China plays in sustaining the regime? But Rich, what's interesting for me on the China side and obviously on the Iran side is we have a blockade on Iranian oil exports. And if the reporting is accurate, those exports are collapsing, which obviously has significant implications for China getting that discounted oil from Iran. And also, significant implications for the regime itself. I mean, are they going to be. They don't care about their people, but are they going to be able to pay salaries for the IRGC and the security services in the coming weeks and months?

Because that's when Operation Economic Fury could really have some significant consequences. So again, talk a little bit about that. Are we going to sanction Chinese banks and refineries? If so, what are the consequences? And then again, just on the Iranian side of the aisle here, is economic theory really going to have a kind of punitive consequences that are going to make a difference to regime calculations?

GOLDBERG: I think Xi is in a weaker position than the media hype would pretend. We focus entirely on our side of the ledger. What's going on in the global oil market for us? What is that doing to us? What's happened to munition stockpiles? What's going on interceptor stockpiles? Positioning of aircraft carriers. Not that I'm going to dismiss any of that. All important. All-important side of the ledger, legitimate conversation, legitimate questions about our military readiness in the Asia-Pacific domain. However, we do need to talk about the Chinese side of the ledger right now, what is happening, what their picture looks like. They've lost Venezuela. They are losing, certainly for now, have lost Iranian crude. They are squeezed in Hormuz in general and now squeezed in the Red Sea. Russia is under enormous stress, obviously having a global impact, but has a China impact as well. And so all of their discount gas stations are either closed or under enormous stress.

That means they have to be tapping into that strategic reserve. Now, I think that could be part of why they had demand destruction, to avoid having to go into the reserve as much as possible. But that has an economic consequence, demand destruction. It literally means you're destroying your productivity inside the country in some way. So there is something going on. It's a very opaque system. All their numbers are fake. I don't believe their GDP numbers. I don't believe anything. And having done China in the first part of my career and a lot inside their financial system and their oil economy and all that, a lot is hidden from view. So they have to be in a uniquely concerned position. Their source of strength has been in the periodic table. And you've seen them weaponize that over the last two years. And so in rare earth minerals and some other critical minerals where they dominate the market, if they say, we're cutting exports, we're not going to allow these through, we're putting extra taxes on this, whatever it is, that can hurt US industry, US manufacturing, the US defense supply chain very quickly.

The president is totally focused on this. They are laser focused on accelerating all of our periodic table bypasses from China, building out supply chain, complete value chains, ex China, upstream, midstream, downstream. And that is underway. The Chinese know it's underway. They're seeing it. We're not hiding it. They also, I think, must know they can't fully stop it. It's going to happen. We will get out from under them over the next couple of years on the periodic table. Meanwhile, the world is coming to us for oil, coming to us for gas. The climate push to kill coal is in reverse at the moment. And we'll see what happens right now. When you have a natural gas crunch going on in Europe and you are thinking about what will happen in the winter months, there is a lot. They don't want to talk about it. There's a lot of demand for American coal right now.

And a lot's going out the West Coast. A lot's moving. India is in high demand. Asia Pacific's in high demand. And yes, there are Europeans who are talking about bringing back some coal to make up for shortfalls. All of that is good for the United States of America. Supply chains are linked to us. You can just shut down Qatari gas for months and the world can keep moving thanks to the United States of America in large part and a close ally. So this is a major game changer that Chinese have to be accounting for while they are in immediate potential stress, in immediate potential crisis with Hormuz, with the Bab el-Mandeb. And the US can do things right now in the context of Iran that could have ripple effects on their economy, on their shipping, on their oil industry, on their banking industry. So that is a lot of leverage for the United States right now.

And it's a lot of leverage to get the Chinese to do different things that put more pressure on this regime or pull the rug out of this regime. And we have to be thinking in that way.

DUBOWITZ: Okay. You mentioned the Qataris. I was going to ask you about LNG, but you actually start talking about it. I mean, I personally would love to see the Qataris running out of money so they could stop spending hundreds of billions of dollars running adversarial influence operations inside the United States and Europe, around the world and funding the spread of Muslim brotherhood ideology. Just a quick 30 seconds on Qatar. And then I want to actually ask you to wrap up with a summation of the piece that you and I just wrote in the New York Post, which we can add to the show notes. And I think one of the elements there, Rich, that I think is important, you and I talk about it a lot, we wrote about it, is the sort of counterfactual that if Ali Khamenei had continued on his trajectory of building a missile shield, a drone army, nuclear weapons, ICBMs, what would that have meant for Iranian control over Hormuz?

And do you believe that at the end of the day, the regime played the Hormuz card at its weakest point at a time where this is a shrinking point of leverage? And maybe in some kind of crazy way, we actually got lucky and we didn't allow that trajectory to continue and allow the Iranians to build up those potent offensive capabilities that would've put Iran in a position where we wouldn't even have been talking about moving product through Hormuz, through (inaudible). We would just basically be acknowledging that the Islamic Republic owns the strait.

GOLDBERG: Last one first. I don't think we got lucky. I think we got real. I think we got imminent because the threat was imminent. Midnight Hammer had set them back significantly on their nuclear program. And so while they were at fourth and inches on the goal line ready to cross into the nuclear threshold, that was no longer an option. But they built back better on their missile program very quickly from what the Israelis had done. The US hadn't targeted that. And they were on a trajectory to have, it's not a professional term, but I like it. I think it should become a professional term. A missile breakout. Nuclear breakout means you've crossed a threshold, you're not going to be able to bring them back. You're now able to produce nuclear material for a bomb. And that continues on as you build an industrial grade enrichment program.

In a missile breakout, you are continuing to build the industrial capacity to build more and more missiles faster and faster with greater capability. And that in just sheer volume of conventional missiles gives you a missile shield. Because if you mess with us, there's thousands of missiles coming. You're just not going to do it. And that will give them cover for reconstitution of the nuclear program. And by the way, all of that, if they cross the nuclear threshold, if they have a missile breakout, what do you think they do with Hormuz at that point? It's like this has always been there. It's a latent threat. They've always had potential ability to close the Strait of Hormuz. We always thought about it in terms of mining. And we always talked about how long would it take to reopen the Strait of Hormuz from a mining threat? But we really didn't have a lot of discussion of the Strait of Hormuz from a missile and drone threat.

I think that's true. I think there was a gap in the conversation, a gap in the planning. That has to do a lot with what the reality is today. But that reality today was coming. If you didn't believe that you weren't watching what they were doing in Iran and expansionists' eyes throughout the Middle East and the ring of fire and beyond and the capabilities of their missiles and the ranges of their missiles going farther and farther and farther. So yes, do I think we are in the best position possible vis-a-vis where the regime is for them to activate their threat on the Strait of Hormuz? Yes. Do I like the fact that they have a threat in the Strait of Hormuz? No. Do I like the fact that we are struggling to get product out of Hormuz and we're at eight to nine million where we could be higher and they still have capabilities?

No, I don't like that. Nobody should like that. But if that happened with nuclear weapons, game over. If that happens with thousands and thousands of missiles that you just are deterred from ever taking on, game over. And by the way, already coming into the year in their weakest point economically before the war, which probably was a contributing factor to the millions of people that went onto the streets in January, that has only gotten worse, continues to get worse now with the blockade. So we are at our maximum leverage over this regime economically, and they are at their weakest point militarily. So all of those factors mean if they're going to activate Hormuz, this is the worst possible time for them to activate Hormuz and the best possible time for us. That is not make you feel better if you are about to leave this podcast and fill up on gas, but it is the reality in the big picture of the world.

Last piece on Qatar and then we can close.

Obviously as a sponsor of the Muslim Brotherhood, all the nefarious things that the Qataris have done couldn't happen to worse people to suddenly see their entire LNG economy collapse on them and Hormuz be their single point of failure that has been activated. And yet as they announced forest majeure before we even knew Hormuz had an effective closure from some strike that didn't actually do damage, but they wanted to show the regime, we're going to help scare the market. And then it was the Qataris who were the first ones out there saying $150 oil, $200 oil to scare the market trying to undermine the United States. I will remember it. Their customers will remember it, and their customers are coming to us.

So this is not good for the Qataris long term. They've proven to be unreliable. They've proven to be hedging with the Iranians the entire time. And of course, they're the ones who are pushing most for a deal and for an MOU and negotiations because they are hit the hardest. I'd say the Iraqis are hit pretty hard with the oil exports. The Kuwaitis are hit hard with their inability to move certain products. The Qataris, the one trick pony, perhaps hit the hardest in all of this. And by the way, there are US majors, one in particular, that has a major play in their LNG. And they've also been the loudest of saber rattling and saying, oh, inventories are near zero. They've triggered some of the cascade of

Worry for the MOU that may have pushed the president more into the MOU. They have the biggest stake and share in what's going on in Qatar. So you have to put everything in perspective and try to whatever the whole term of signal over noise. And it's hard. It's hard. There are realities. There are real challenges. There are real price effects. There are real economic input effects that we have to continue to look at and mitigate and figure out. We don't want to do unnecessarily harm to our economy. We don't want an own goal. We want their own goals. We want to collapse their regime, not do irreparable harm to our country or to the global market. I think the president has that correct balance in his head. It's been guiding his tactics throughout. But strategically, I think we're still at that New York post op-ed.

Blockade, get the oil out on our terms, build, baby, build on alternatives and American energy dominance. And that is victory, not just over Iran, but for the American people for the century.

DUBOWITZ: Well, I like the sound of taking oil leverage away from the Iranians, LNG leverage away from the Qataris and having American dominance over global energy markets, giving us leverage not only against Iran, but against China, Russia, other adversaries. Rich, a tour de force on energy and geopolitics. Follow Rich's work. Rich is heading up the FDD Energy and National Security Program and writing on all these issues. And Rich is one of those rare experts on Iran who can talk about nuclear, economic terror proxies, sanctions, energy, the whole thing. I've learned a lot from Rich over the years, been a great colleague and a great partner. So Rich, thanks so much and we'll have you back on soon.

GOLDBERG: Thanks, Mark.