

Center for Strategic and International Studies

TRANSCRIPT

Energy 360°

**“The Transition: Oil, Natural Gas, and American Energy  
Dominance”**

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FEATURING

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Quill Robinson: Welcome to Energy 360: The Transition, a CSIS miniseries, exploring the energy implications of Donald Trump's victory in the 2024 election. This week, Joseph and I discussed the incoming Trump administration's strategy for the U.S. oil and gas industry with two top experts. Victoria Coates is vice president of the Catherine and Shelby Colum Davis Institute for National Security and Foreign Policy at the Heritage Foundation. She previously served as the Deputy National Security Advisor to President Donald Trump. Kevin Book is the managing director of Clearview Energy Partners and a non-resident senior advisor with CSIS's energy security and climate change program. Let's dive in.

On day one, President Trump, his new administration are going to go forth with drill, baby drill. This will probably involve a whole bunch of executive orders. I'm curious what happens on day two, Kevin, what should we be looking for on day two, day three, day four, when it comes to American oil and gas?

Kevin Book: Investor probably first we've got the rocks, will we have the money? If regulations roll back, it improves the cost structure, makes it more attractive. The Biden administration's been leasing parcels that have been more fragmented, less frequently at higher cost change that you create an option but not an obligation. So I think what we get from Washington will be a lot of questions, but what we get from operators themselves in response also questions.

Quill Robinson: Victoria, what does "drill baby drill" mean to you this time around?

Victoria Coates: Well, I think it means a much more concerted strategic approach to developing and deploying U.S. energy resources. And I think the appointment of Governor Burgum to not be Secretary of Energy, but to be the Secretary of the Interior for the reasons Kevin was just discussing is a critical signal that what are they going to be looking at most aggressively are permitting and licensing authorities, which is of course sited in interior. And so I think that is a major signal that we've gotten from the new administration that we are going after that architecture. Very specifically.

Quill Robinson: Joseph, this is an interesting point that Victoria makes here placing Governor Burgum in that particular perch at DOI but also putting him in charge of the National Energy Council. What does this signal to you?

Joseph Majkut: I think it signals a desire to align the expertise in the government with actual performance, right? Traditionally you have different functions spread out throughout the government. Treasury makes tax policy. DOE does science and innovation; Interior manages our public lands. And to

develop a strategic approach to avoid the pitfalls that have made other stalled the progress of other administrations, that's kind horizontal arguments, turf war between different departments, you might need somebody empowered like a czar or a head of this council. The fact that that person is also a secretary means they have a lot more clout, I would say, than they would if they were just working within the White House.

Kevin Book: Putting some muscle behind the thoughts. So same framework really as the Secretary of State, being the chair of the International Development Finance Corporation, right. Connecting the thinkers and the doers.

Quill Robinson: Yeah. That's really interesting, Kevin. So I think there's a big emphasis on the geopolitical role and significance of U.S. oil and gas at least. It seems like the incoming Trump administration is really eager to use the American energy dominance that we've achieved since last time that they were in the White House. I'm curious, what are the opportunities when it comes to U.S. oil and gas production and also the risks of using these things as geopolitical tools?

Kevin Book: I'm glad you used the D word, right? Dominance. No, seriously the goal of independence, aspirational like dominance, but independence is about security. Dominance is about market share. And if you look at the 15 years through 2023, so we have been essentially very dominant. U.S. supply growth, 88% of global consumption growth and essentially buffered the world. It's created more price stability so that when we look at major geopolitical turbulence, we don't end up with the price spikes of yesteryear. Now you ask what are the risks of this? Well, the U.S. government doesn't control the private entities that are responsible for the investment and the production. And while we can influence and shape from Washington what happens if the oil patch still reflects practical reality.

Quill Robinson: Victoria, you were in the thick of the geopolitics of energy in the last administration. I'd love to hear your thoughts on what the opportunities and risks are for Trump 2.0.

Victoria Coates: Yeah, there's a really different world picture Quill because what we have now are Russia and Iran very openly supplying China as the major producers surpassing even Saudi Arabia as producers to China. Iran's now at 1.75 million barrels per day. We had them down around 300,000 a day. That's a massive difference. So we're already seeing America's enemies sort of fight these energy wars and establish their energy spheres of influence. And the one I think that would be the most interesting to the United States is India, which is if the export license span were to continue, they're under that because our free trade

agreement with India expired. So I think getting American natural gas to India and converting those coal plants is both a way to bring India more into our realm as opposed to BRICS. But then also, I mean the environmental advantages of that are going to be considerable for one of the world's largest polluters that wants to make that kind of a change. So I think massive opportunity in India, but also big risks going with what's going on with Russia, China and Iran.

Quill Robinson: Just on that Iran point, I imagine the Trump administration is going to take a more hawkish approach to Iran than the Biden administration has. If things are to heat up in the Strait of Hormuz moves, if tensions are to increase between the U.S. and I'm curious, what effects might that have on global oil markets and global energy markets more generally?

Kevin Book: Well, I think there's two things to think about immediately. First, we have significant strategic reserves, but they're important in that context. One reason is that the OPEC spare capacity on the books today has to traverse a lot of it, the Strait of Hormuz. So when you ask where does the extra oil in the world come to market, if we end up short because of sanctions, we end up short because of other interruptions. The answer is from government strategic stockpiles, but generally speaking, we have a lot of slack capacity in the oil market right now. And so there's not a lot of pricing in of the geopolitical risks you're describing.

Quill Robinson: Victoria brought up this really interesting point about India and the potential role of U.S. LNG when it comes to India. That's something we've done a lot of work on here at CSIS is sort of the emissions reductions potential of climate policy in the world's largest democracy. I'm curious how you see sort of the convergence of climate beneficial policy, but also the intense geopolitical relationship that we have with that country and how we could potentially pull them away from Russia and other adversaries.

Joseph Majkut: Sure. I mean India is the leading case, but don't forget that much of Southeast Asia is the growth market for LNG. As we look over the next 20 to 30 years and U.S. having a more commercial presence there, it can be directly correlated with how we also experience geopolitical advantage. The thing that Victoria raises to the extent to which can we replace coal plants, can we substitute for coal generation with LNG is a matter of price and infrastructure. And the key challenge is not just going to be can we deliver the LNG ships, but are there regasification units, are there pipelines to generating facilities and can we make a convincing case take for the Indians for an example that this is as secure resource as the native coal resources would be, or is it secure

enough that the climate and environmental benefits that go along with using it can be realized? That's going to take a little bit, I think of massaging, but the math can definitely pencil out if you do it right.

Quill Robinson: Victoria, do you think that the incoming Trump administration is prepared to make that case and wants to make that case of the dual economic and environmental benefits of LNG particularly in places like Joseph mentioned in south and Southeast Asia?

Victoria Coates: Now I absolutely think it's the case and I can tell you with 100% certainty that the incoming administration is going to be more hawkish on the IRA than our current leadership. So I think that's a very fair assessment and it does demand a, I think, reevaluation of our security posture in the Gulf, which is still largely based on a Carter doctrine of 1980, and then the circumstances now are so radically different. So I think that needs a strong reassessment. But I do think that President Trump was rightly frustrated that the environmental gains of his first term were not well understood and we were sort of branded as the enemies of the climate. And I think he's talked a lot on the trail about wanting to leave the earth cleaner than we found it being responsible stewards. And so I do think that's the case he wants to make and that we are much cleaner than China. There has to be an honest accounting for what the carbon footprint actually is for these Chinese products. That is something I would see them being very interested in.

Kevin Book: I think Victoria has raised a really important point because we have Republicans on Capitol Hill who've proposed to try to differentiate our goods at lower emissions intensity from imported goods competing with us at higher intensity, and the thinking is really about competition as well as climate. And the two travel in the same direction. Efficient energy can be clean energy and clean energy can be more efficient. I would not be at all surprised we have dared to suggest that such a thing. Maybe it wouldn't be for the climate itself in the sort of the first instance, more the second and commercial competition in the first instance, but that border adjustments are possible and maybe even likely in a world that is fragmenting along lines between a high emitting. If you look at the Shanghai core operation organization or for example the BRICS countries, the emissions intensity of GDP in those countries is about three and a half times what it is in the G7. So it's an opportunity for both commercial and climate benefit.

Joseph Majkut: I think that this, if you zoom out on that question of manufacturing intensity or the emissions intensity of economic production, you can even look at the oil and gas industry and try and see is the climate agenda maybe more related to our strategic agenda than it has been in the past? Here I'm thinking about LNG to Europe. That's now the

principle destination for a lot of U.S. LNG exports played a huge U.S. LNG played a huge role keeping the lights on as they experienced that crisis over the last two years. The Europeans are standing up rules for the emissions intensity of LNG imports, particularly related to methane. This perhaps runs counter to the day one impulse. We're just going to get rid of all environmental regulation. I'm really interested to see how much this new administration sees the strategic imperatives it has on energy and the sort of evolving market conditions, 2025 being very different from 2017 impacting its regulatory agenda domestically.

Quill Robinson: Joseph, this is a really interesting point on LNG and certainly when we talk about this topic, much of the focus is on Europe as a consumer, but as we also discussed, much of the energy demand in the future is going to be in East Asia. So I imagine that one of the things the incoming Trump administration is going to be thinking about is what sort of LNG export industry are we building and are the customers in the future and what will they demand? I imagine that the climate considerations in Asia are a little bit different than they are in Europe.

Joseph Majkut: They're absolutely different, but they're not absent, right? You see efforts in Japan to have a better understanding of what these upstream methane emissions are. You see efforts to diversify the entire energy supply chain throughout Southeast Asia. So I don't think that there is some pragmatic global south that has an entirely different view from where the world has been going over the last few years, but the pragmatism still does rule, and I think the key thing in the U.S. is to see what we can do to leverage our resources not just in natural resources, but in technology, in diplomacy so that we can help the emerging markets develop and develop as cleanly as possible.

Quill Robinson: Victoria, my sense was in the first Trump administration that there was a feeling that there was a clear difference between the U.S.'s strategic interests and global climate cooperation and climate initiatives. That's why we pulled out the Paris Accord. Do you think as Joseph described in the second Trump administration, there might actually be a bit more convergence there and then it may become in our strategic and economic interest to incorporate some of these climate considerations when it comes to the oil and gas industry, particularly when it comes to LNG exports?

Victoria Coates: Yeah, I mean I think these two things are, as you said, converging naturally. I can tell you also with a hundred percent degree of certainty that the United States is not going to remain in Paris regardless of the impassioned pleas of our European allies to do so. But the whole point about Paris is it's not binding, and if it's not binding, then it doesn't actually get us to a more holistic climate solution. And so my approach

and Heritage's approach has been to try to get gains where we can that are practical, that are pro-human. And I'm from Pennsylvania, so I'm particularly favoring export terminals on the Atlantic, but for the reasons you enumerate from East Asia, from Japan, from Taiwan, from other potential customers in that region, that we also need additional facilities on the west, but that these facilities are environmentally detrimental does not necessarily follow. My favorite candidate for an export facility on the Atlantic is Gibbstown New Jersey, which would mean cleaning up an old DuPont munitions plant. You're dual purposing something, making an area that heaven knows needs some cleaning up much more environmentally friendly achieving an export facility that we need. So I think that those kinds of projects are the ones they will be looking at that fulfill a number of different priorities.

Quill Robinson: Victoria, are you concerned that by stepping back from Paris or perhaps other sort of fora for cooperation on climate goals that we might miss out on market opportunities sort of along the lines of methane and what the standards that the Europeans are setting out right now?

Victoria Coates: I really don't because our product is so much cleaner. Just inherently, if Europe wanted to go back to an early 2022 posture vis-a-vis other producers, that would really surprise me. As you said, almost a massive crisis. I don't know how much extra capacity say Qatar would have or Australia would have if countries chose not to import from us because we're not in Paris. I don't think that's really going to happen.

Quill Robinson: Kevin, can you talk a little bit about the other players that are significant in global LNG markets and when we're talking about Qatar, when we're talking about Australia, when we're talking about Russia, how the U.S. can position itself competitively so that we are using this as an effective geopolitical tool and it's also economically beneficial to us?

Kevin Book: Well, Quill, you mentioned Russia, which as we all know has gained market share in Europe even though pipeline gas has declined significantly. And I suppose one question will be whether or not the Europeans are comfortable with that going forward. I think we all have to be sort of clear-eyed about what a settlement in Ukraine might mean. It might mean a restoration of commercial relations with Russia without sanctions or with reduced sanctions as part of that agreement. And so I'm not sure that we should assume that in the offering there's this intrinsic substitution of U.S. gas for Russian gas, although Ursula von der Leyen certainly made it sound like that might be in the offering. She made comments last week that she had talked to President-elect Trump and had said that she would be willing to buy more U.S. LNG, and the implication was also potentially for substitution for that

increased Russian share of imports. But it's a global market first of all. And second, there are questions about what European demand will bear. There are some forecasters who see a declining future for gas demand in fairly close at hand in Europe. There are others who say, well, wait a second, that's because of massive de-industrialization, which is what the Europeans have been trying to avoid, and what they would rather do is restore their industrial base. Depending on the shape of demand, there may be a lot of opportunity for all players.

Quill Robinson: Thanks, Kevin. So the Trump transition team recently came out with three goals that are really going to be the organizing principles for the incoming administration. That's first to address inflation, second to win the AI arms race versus China, third to restore diplomatic strength to end wars. So Joseph, we're talking about the U.S. oil and gas industry today and what this incoming administration is going to do when it comes to this industry. How does it fit into these goals?

Joseph Majkut: Clearly, the incoming administration sees the energy industry as at the heart of accomplishing all three of those things. We've already sort of talked about the geopolitical strength that can come from being a large energy exporter. How we convert that into ending wars I think is a longer and deeper conversation. For AI It's clear that natural gas is going to play a very important role as a systems balancer in the United States as part of our power system, and low prices in that context are going to be critically important. In terms of inflation here. I think that there are going to be real challenges in realizing the ambition, in part because U.S. producers struggle with low prices. A lot of the production gains that we see require a price floor. Kevin knows much more about the details of those things or require not a price floor, but medium prices or prices like we have today. A lot of our producers require prices similar to what we have today, to really be as large and productive as they are the things that lead to inflation in the energy system, whether that's grid investments or failures to build enough linear or downstream infrastructure pipelines and refineries, that stuff's hard to resolve in the course of two, three, or even four years. So what kind of system we can build for the long-term I think is going to be a really important question. It might be harder to tackle the immediate symptoms.

Kevin Book: I think easiest way to put it, Joseph, and I think President-elect Trump captured this on the campaign trail. The GPUs are going to need BTUs. It's going to take a lot of energy to energize to power AI data centers. That's very clear now, and I think everyone agrees the slope is up, whether it's a vertical line or whether it's a hockey sticker, maybe something flatter is still to be defined, but right now, natural gas resource we have is going to be the gap closer, and that's an asset to the

extent that you saw AI mentioned as one of the applications, one of the end use sectors for the energy dominance goals of the National Energy Council and of Governor Burgum, his interior secretary designate role, I think is pretty important.

Quill Robinson: So Victoria, how do you think that the U.S. oil and gas sector fits into these three goals, reducing inflation, winning the air arms race, and also ending wars through diplomatic strength?

Victoria Coates: Now I think it's central, as both Joseph and Kevin said to all three issues because all three issues at the heart of them go to the burgeoning confrontation with China. As we've discussed all year this year at Heritage, energy is the single greatest advantage that the United States has along with the ingenuity of the American people, but the fact that we have gone from being an intensely energy vulnerable country in 1980. You look at all the reasons President Carter founded the Department of Energy in 1977, that he was so interested in the stability of the Gulf in 1980, all had to do with our energy vulnerability. That era has ended, and I don't think we've actually fully understood what this means to us strategically and globally, especially as China now, our major competitor on the global stage as opposed to Russia, which is another one of the big three producers. But China is so vulnerable and is such a massive polluter, and they really can't solve that even with their play into civil nuclear, which is probably their best option, but they're still going to be intensely vulnerable and particularly in the event of a kinetic war of some sort that something they're going to have to really struggle to solve. So I think it's central to all three. It was very smart, I think for President Trump to talk about it the way he did on the trail, and I think it is they could do a whole lot worse for a sort of guiding principle for the new administration.

Quill Robinson: The oil and gas industry will clearly have an ally in the White House come January. Last episode, we were talking about what the MO of incoming Trump administration's energy policy was. Dave Banks proposed that it was "build baby, build" a little bit more expansive than "drill, baby drill". I'm curious, Joseph, after this discussion, we've clearly established the oil and gas can be very important. Do you think that the MO of the Trump administration's energy policy is "build, baby build" or is it just "drill, baby drill" or maybe something else?

Joseph Majkut: Not speaking for the administration? I think it's "Win"

Quill Robinson: Win?

Joseph Majkut: I think it's if you look at-

Quill Robinson: Not wind, just to be clear-

Joseph Majkut: Yeah, win with wind. If you look at the criteria that they set out in Friday's announcement, I think it's pretty clear how we should be thinking about what their goals are, right? That's articulate, reduce inflation, win on AI and regain diplomatic strength. And I think it's now incumbent to figure out what are the best strategies to accomplish all three of those things, not just over the next four years, but for the next 50.

Kevin Book: I mean, it gets down to what we drill wells for. It's not just for the sake of drilling wells, it's for the end use sectors that energy supplies, and that's still the focus. It's very obviously the focus, but it's not just here, right? As Victoria was pointing out, there's been a real change in our security posture, and it sounds sort of glib to say, well, from independence to dominance, but we're a 12, 13% net export share of consumption. China's a 25% net import share of consumption, Europe's in the sixties percent, Korea, Japan, 95% plus. We have a real opportunity here globally to project soft power and also domestically to gain competitive advantage. End use sector is what it's all about. We're drilling for a reason.

Joseph Majkut: I think one of the things that was also really interesting, just your comment reminded me, we spent so much time looking at the LNG industry over the last year post Biden administration pause, which of course is going to be lifted rapidly. The nature of our market actors also helps, right? That the U.S. it lets a lot of energy exports be driven by market factors. We don't necessarily always take very strong political positions. There's not always too much gamesmanship. And as a supplier in the global markets that allows prices and other things to determine where exports go, that actually seems to be a really big important globally stabilizing force. It's a subtle difference maybe, but I do think it's important.

Quill Robinson: Victoria, final word to you. What's the MO of this incoming administration's energy agenda?

Victoria Coates: I like win. I think that rather than manage a decline or accept Chinese activities as inevitable and a hundred feet high, I think that President Trump and the folks that he's named so far are much more interested in actually definitively winning this. And I think given the structural problems China has economically and demographically, if we can keep our wits about us, and I think conversation like this from a range of viewpoints is critical to that, we can do quite well.

Quill Robinson: Victoria, Joseph, Kevin, thanks so much for joining the transition.  
Thanks so much for joining us on the transition. We'll see you next episode.

(END.)