WEBVTT

00:00:10.376 --> 00:00:20.916
<v SPEAKER_2>Hello, everyone, and welcome to Energy Security Cubed, one of the world's foremost energy security podcasts presented by the CGAI, or Canadian Global Affairs Institute.

00:00:20.916 --> 00:00:24.596
<v SPEAKER_2>I'm Kelly Ogle, Managing Director here at CGAI.

00:00:24.596 --> 00:00:32.536
<v SPEAKER_3>And I'm Joe Calnan, Vice President of Energy and Calgary Operations at the Canadian Global Affairs Institute.

00:00:34.076 --> 00:00:40.636
<v SPEAKER_2>For today's podcast, we're featuring a discussion with Richard Bronze, where we had a great conversation about international oil geopolitics.

00:00:40.636 --> 00:00:47.256
<v SPEAKER_2>But before we go into that, let's talk to Joe about some of the new stories affecting global energy security this week.

00:00:47.256 --> 00:00:49.156
<v SPEAKER_2>How are things going, Joe?

00:00:49.156 --> 00:00:51.016
<v SPEAKER_3>Well, I'm doing well, Kelly.

00:00:51.016 --> 00:00:55.516
<v SPEAKER_3>I'd just like to note for our listeners that I will be on vacation next week.

00:00:55.516 --> 00:01:03.856
<v SPEAKER_3>I'm going out to the West Coast for 10 days to try to relax a little bit before we jump right into the fall.

00:01:04.256 --> 00:01:10.936
<v SPEAKER_3>And at the end of this intro, I'll be telling you all about an exciting thing we're doing in late October.

00:01:10.936 --> 00:01:13.476
<v SPEAKER_3>So please stay tuned for that.

00:01:13.476 --> 00:01:13.936
<v SPEAKER_2>You bet.

00:01:14.396 --> 00:01:15.976
<v SPEAKER_2>Yeah, I'm looking forward to that too.

00:01:15.976 --> 00:01:18.436
<v SPEAKER_2>So waiting with bated breath.

00:01:18.436 --> 00:01:20.096
<v SPEAKER_2>What's in the news, Joe?

00:01:20.096 --> 00:01:24.376
<v SPEAKER_3>Well, let's start by covering the Trump administration's war on wind.

00:01:24.376 --> 00:01:30.916
<v SPEAKER_3>I'd like to say tilting at windmills, but in this case, Don Quixote is quite literally bringing them down.

00:01:30.916 --> 00:01:35.636
<v SPEAKER_3>So last week, the Interior Department halted work on reportedly 80% complete...

00:01:35.636 --> 00:01:36.936
<v SPEAKER_2>I was just going to interject, Joe.

00:01:36.936 --> 00:01:40.136
<v SPEAKER_2>That's maybe that's one of the best metaphors you've used for a long time.

00:01:40.136 --> 00:01:42.156
<v SPEAKER_2>I got it.

00:01:42.156 --> 00:01:46.796
<v SPEAKER_3>Yeah, you know, I got to put in that Cervantes reference there, Kelly.

00:01:46.796 --> 00:01:48.096
<v SPEAKER_3>I couldn't help myself.

00:01:48.096 --> 00:01:53.916
<v SPEAKER_3>But yeah, the Interior Department halted work on reportedly 80% complete wind farm.

00:01:53.916 --> 00:01:59.576
<v SPEAKER_3>This was being built off Rhode Island by the struggling wind turbine manufacturer Orsted AS.

00:02:00.456 --> 00:02:09.176
<v SPEAKER_3>The Interior Department followed up on this by blocking another $5 billion project off of Maryland earlier this week.

00:02:09.176 --> 00:02:20.076
<v SPEAKER_3>Earlier this year, the One Big Beautiful Bill Act also imposed a rapid phase out of the generous tax credits that formed the

basis of much wind farm investment in the United States.

00:02:20.076 --> 00:02:23.576
<v SPEAKER_3>So there's the returns that companies got from building these.

00:02:24.656 --> 00:02:48.516
<v SPEAKER_3>On top of all of this, the Trump administration is also pursuing a probe on foreign wind turbine subsidies with a mind to putting Section 232 tariffs in place, with tariffs likely set at 25 to 50 percent, according to industry news service supply chain dive, and this would effectively bar any sort of foreign wind turbines entering the United States.

00:02:48.516 --> 00:02:56.016
<v SPEAKER_2>Without these projects, the Biden administrations had been planned for rapid expansion of offshore wind has been completely derailed.

00:02:56.016 --> 00:03:00.656
<v SPEAKER_2>This has had devastating consequences for western wind turbine manufacturers.

00:03:00.656 --> 00:03:04.476
<v SPEAKER_2>In the last four years, Orsted's stock has been under immense pressure.

00:03:04.476 --> 00:03:10.776
<v SPEAKER_2>The company today is worth about 15 percent of its market cap of early 2021.

00:03:10.776 --> 00:03:24.736
<v SPEAKER_2>According to some analysts, the tax credit phaseout, regulatory barriers, and threatened tariffs on building new offshore wind projects could increase energy prices on the US East Coast as electricity demand from data centers rises.

00:03:24.736 --> 00:03:28.696
<v SPEAKER_2>However, the whole picture is likely a lot more complex than that.

00:03:28.696 --> 00:03:31.076
<v SPEAKER_2>The phaseout of subsidies is likely needed.

00:03:31.076 --> 00:03:35.176
<v SPEAKER_2>I would agree with that sentiment.

00:03:35.176 --> 00:03:40.776
<v SPEAKER_2>Wind turbines are a mature industry and are no longer in need of such enormous and distortionary government support.

00:03:41.816 --> 00:03:54.156
<v SPEAKER_2>However, the regulatory barriers, tariffs and general targeting of the wind is to resemble Anglo strategies of blocking traditional energy infrastructure and could have similar negative effects on regional energy security.

00:03:54.156 --> 00:04:22.176
<v SPEAKER_2>When you look at some of the East Coast states, they went all in on wind, given democratic governors and more of a climate problem, climate change attitude, and they're going to get left holding the bag here with a lot of energy that they thought was going to supply them their electrical needs, and it's just not going to be continually growing.

00:04:22.176 --> 00:04:41.496
<v SPEAKER_2>Joe, you and I have had numerous discussions about this, and it's always a case that it doesn't matter how much wind you've got, there's days it isn't windy, and you need dispatchable power supplies.

00:04:41.496 --> 00:04:43.336
<v SPEAKER_2>It's complicated.

00:04:43.336 --> 00:04:44.056
<v SPEAKER_3>Yeah.

00:04:44.056 --> 00:04:50.936
<v SPEAKER_3>Well, I don't think that targeting any one type of energy, I don't think that that's ever really something we should be doing.

00:04:51.576 --> 00:05:00.716
<v SPEAKER_3>And if we do make policies that are against that, against any type of energy, we better have pretty good reasons to do so.

00:05:00.716 --> 00:05:09.616
<v SPEAKER_3>And I'm not sure if the Trump administration has real evidence behind these sorts of policies.

00:05:09.616 --> 00:05:13.796
<v SPEAKER_3>I think it's more likely that the man himself just really hates wind turbines.

00:05:13.796 --> 00:05:17.316
<v SPEAKER_2>No, he's just vindictive toward anything that Biden did, whether you like it or not.

00:05:17.416 --> 00:05:24.496
<v SPEAKER_2>Like wind has a place in the energy paradigm, you know,

it does.

00:05:24.496 --> 00:05:26.736
<v SPEAKER_2>But you nailed it, Joe.

00:05:26.736 --> 00:05:33.456
<v SPEAKER_2>The fact that they subsidized the wind industry for so, so long, the companies came to depend on that.

00:05:33.456 --> 00:05:36.736
<v SPEAKER_2>Like, and, you know, it's false economics.

00:05:36.736 --> 00:05:39.176
<v SPEAKER_2>It's like your LOCE, right?

00:05:40.496 --> 00:05:41.756
<v SPEAKER_2>It doesn't work.

00:05:41.756 --> 00:05:42.816
<v SPEAKER_2>It just doesn't work.

00:05:43.516 --> 00:05:48.776
<v SPEAKER_3>And we'll get a little bit into that false idea of the LOCE in a little bit here.

00:05:48.776 --> 00:05:58.976
<v SPEAKER_3>Because in my view, you know, variable, intermittent renewables are not in any way a one-to-one replacement for, let's say, a natural gas-fired power plant.

00:05:58.976 --> 00:06:00.956
<v SPEAKER_3>But we'll get into that in a second here.

00:06:00.956 --> 00:06:02.656
<v SPEAKER_2>What else are you going to talk about?

00:06:02.656 --> 00:06:02.996
<v SPEAKER_3>Yeah.

00:06:02.996 --> 00:06:11.416
<v SPEAKER_3>Next up, let's dig into Prime Minister Mark Carney's visit to Europe and what it could imply for Canadian energy industrial pathways for trade with continent.

00:06:12.216 --> 00:06:20.116
<v SPEAKER_3>On Monday, Carnian-Polish Prime Minister Donald Tusk met to renew a long-term strategic partnership.

00:06:20.116 --> 00:06:28.416
<v SPEAKER_3>As part of this visit, they released a joint statement

which emphasized in this order, energy, defence, aviation, and trade-related cooperation.

00:06:28.416 --> 00:06:45.576
<v SPEAKER_3>On the energy file, the nuclear cooperation agreement from earlier this year was emphasized alongside a bilateral government-to-government dialogue, including discussions surrounding Poland's second nuclear power plant, perhaps some opportunity for the Monarch Reactor there.

00:06:45.576 --> 00:06:53.936
<v SPEAKER_3>So the statement also includes consideration for industrial partnerships on critical minerals, offshore wind, low-carbon hydrogen, and crucially LNG.

00:06:55.056 --> 00:07:08.396
<v SPEAKER_2>We should recall that we recently had Kasia Paquette on the podcast to talk about the importance of Poland in the European project and the regional need for Canadian assistance on energy security, particularly where it comes to LNG.

00:07:08.396 --> 00:07:18.616
<v SPEAKER_2>Carney will also be meeting with German Chancellor Frederick Mers on Thursday, or sorry, on Tuesday, where energy and natural resources are likely going to be a key issue as well.

00:07:18.616 --> 00:07:28.076
<v SPEAKER_2>We should recall that German utility Uniper recently began a pivot away from renewables and towards securing additional supplies of natural gas.

00:07:28.076 --> 00:07:40.276
<v SPEAKER_2>Also, critical minerals will remain an important component of these discussions, but questions remain about to what extent Canada can move into the miner metals market, which are currently dominated by massive Chinese players.

00:07:40.656 --> 00:07:47.536
<v SPEAKER_2>On uranium, however, Canada has a distinct advantage given our world-leading uranium resources and nuclear technology.

00:07:47.536 --> 00:07:51.356
<v SPEAKER_2>This joint statement with Poland is something very important to build off of.

00:07:51.416 --> 00:08:09.756
<v SPEAKER_2>You know, Joe, as you know, I've been in Toronto the last week and talking to lots of people about mining and all those critical minerals necessary for the energy build out of the future are all available in the Ring of Fire or in other parts of Canada, but we

can't get out of our own way.

00:08:09.816 --> 00:08:26.976
<v SPEAKER_2>Like the people in Ontario that I talked to, you know, if they're in the energy business or they're in the mining sector, they're just pissed off with Ford and what's going on in Ontario, about access to get the work going.

00:08:26.976 --> 00:08:29.496
<v SPEAKER_2>It's really, really frustrating.

00:08:29.496 --> 00:08:32.776
<v SPEAKER_2>It's like we can't catch our own tail.

00:08:32.776 --> 00:08:33.036
<v SPEAKER_3>Yeah.

00:08:33.036 --> 00:08:39.936
<v SPEAKER_3>Well, even just building roads out to these mines, those are enormously expensive projects.

00:08:39.936 --> 00:08:43.636
<v SPEAKER_3>So, you know, it's not, this is not an easy thing to do.

00:08:43.636 --> 00:08:45.276
<v SPEAKER_3>Like we need a real strategy to do it.

00:08:45.276 --> 00:08:50.156
<v SPEAKER_2>But they've been talking about building the road, at least, Joe, for 15 years, and it still hasn't been built.

00:08:50.156 --> 00:08:58.016
<v SPEAKER_3>No, I'm well aware, Kelly, Canada's inability to build anything is probably our number one problem.

00:08:58.016 --> 00:09:03.136
<v SPEAKER_3>And I think that we should really get to the point where we can build things.

00:09:03.196 --> 00:09:12.316
<v SPEAKER_3>And not only when it's on a major projects list, but in general, you know, being able to build stuff is hugely important.

00:09:12.316 --> 00:09:17.556
<v SPEAKER_3>And there's a huge number, there's a large number of factors that are preventing us from building stuff.

00:09:17.556 --> 00:09:25.156
<v SPEAKER_3>And it's going to be very complicated discussions about how to get to the point where we can build things the same way we did

back in the 50s.

00:09:25.156 --> 00:09:32.056
<v SPEAKER_3>Like it's been 75 years since we've been able to build things very effectively.

00:09:32.416 --> 00:09:34.736
<v SPEAKER_3>So like getting back to that's very important.

00:09:34.736 --> 00:09:47.176
<v SPEAKER_3>But on another note, I should also mention here that the meeting between Carney and Friedrich Mers also included a joint statement afterwards that emphasized energy.

00:09:47.176 --> 00:09:55.436
<v SPEAKER_3>And this one of course still very much on the critical mineral side, but the LNG consideration is also there for Germany.

00:09:55.436 --> 00:10:07.076
<v SPEAKER_3>It seems as though these countries are for sure pushing for LNG to be on the table, and we need to start preparing ourselves for how do we actually provide LNG to Europe.

00:10:07.076 --> 00:10:11.556
<v SPEAKER_3>And I think that there's some interesting ideas floating around for how to do that.

00:10:11.556 --> 00:10:15.836
<v SPEAKER_2>Well, yeah, that's a discussion for another day.

00:10:15.836 --> 00:10:17.896
<v SPEAKER_2>What else you got, Joe?

00:10:17.896 --> 00:10:24.956
<v SPEAKER_3>I'd also like to cover an interesting technology which has been proposed to help deal with grid frequency problems associated with renewables.

00:10:24.956 --> 00:10:33.556
<v SPEAKER_3>As we have discussed before the podcast, there are growing concerns that intermittent distributed renewables are harder to predict and control than traditional electricity generation.

00:10:33.556 --> 00:10:42.996
<v SPEAKER_3>For this reason, their supply is more difficult to match with demand, so they can sometimes cause frequency issues when they generate too much or too little energy.

00:10:42.996 --> 00:10:51.156
<v SPEAKER_3>This is in comparison with thermal power plants or

hydroelectric power plants, which have enormous spinning wheels which automatically stabilize the grid and control frequency.

00:10:51.156 --> 00:10:59.176
<v SPEAKER_3>So generally, what these big spinning wheels do is they absorb any sort of frequency disturbances on the grid.

00:10:59.956 --> 00:11:04.936
<v SPEAKER_2>It's again, Joe, in the energy spectrum, they're redundant.

00:11:07.556 --> 00:11:10.256
<v SPEAKER_2>They have a capacity for redundancy.

00:11:10.256 --> 00:11:13.216
<v SPEAKER_2>They're ready to go if you try to draw more.

00:11:13.516 --> 00:11:17.116
<v SPEAKER_2>And that's always been the problem with renewables.

00:11:17.116 --> 00:11:19.676
<v SPEAKER_2>You can't pour on the power if you need it.

00:11:19.676 --> 00:11:22.976
<v SPEAKER_3>No, this actually isn't quite the same issue, Kelly.

00:11:22.976 --> 00:11:31.996
<v SPEAKER_3>And I'd say that, yeah, redundancy of kind of like spinning reserves on thermal power plants, that's also a very crucial aspect of the energy system.

00:11:31.996 --> 00:11:34.516
<v SPEAKER_3>But that's on the energy side of things.

00:11:34.516 --> 00:11:37.616
<v SPEAKER_3>What I'm trying more of is the frequency demand issue here.

00:11:37.636 --> 00:11:38.936
<v SPEAKER_3>Not the demand.

00:11:39.616 --> 00:11:47.296
<v SPEAKER_3>It's not the supply, not the demand, but the matching the supply and demand exactly to get that 60 Hertz.

00:11:47.296 --> 00:12:01.116
<v SPEAKER_3>And what these big spinning wheels do is that they automatically stabilize the grid because they're spinning at 60 Hertz and it takes a lot of force to get those big spinning wheels off of their frequency.

00:12:01.116 --> 00:12:08.876
<v SPEAKER_3>But as renewables pressure thermal power plants off the grid, these unpaid for services provided by these spinning wheels also disappear.

00:12:10.016 --> 00:12:16.856
<v SPEAKER_3>Thankfully, it's possible to synthetically recreate these big spinning wheels rotating at the same frequency as the grid.

00:12:16.856 --> 00:12:19.716
<v SPEAKER_3>And these are called synchronous condensers.

00:12:19.716 --> 00:12:25.256
<v SPEAKER_3>And they're manufactured by companies such as Siemens to play a role on renewables' intensive grid.

00:12:25.256 --> 00:12:35.916
<v SPEAKER_3>So basically, thinking about it as this big spinning wheel that's about 100 tons, it basically provides that momentum to the grid, that inertia.

00:12:36.956 --> 00:12:44.696
<v SPEAKER_3>But we should take a step back and think for a second about how much additional equipment is required to recreate thermal power plants on aggregate.

00:12:44.696 --> 00:12:50.276
<v SPEAKER_3>So nobody denies that wind and solar have excellent levelized cost of energy when considered on just a pure energy basis.

00:12:50.876 --> 00:12:58.096
<v SPEAKER_3>But we should really tally up the other components required to recreate the full suite of services provided by thermal power plants.

00:12:58.376 --> 00:13:01.396
<v SPEAKER_2>The first thing we have to think about then would be power lines.

00:13:01.396 --> 00:13:05.856
<v SPEAKER_2>Intermittent renewable generation is often located far from demand.

00:13:05.856 --> 00:13:10.456
<v SPEAKER_2>In these situations, big power lines must be built to connect renewables to the grid.

00:13:10.456 --> 00:13:16.036
<v SPEAKER_2>Generally, these power lines are built with public funds

and paid back either by the taxpayer or the rate payer.

00:13:18.596 --> 00:13:26.636
<v SPEAKER_2>Secondly, to match the dispatchability of a natural gas-fired power plant, intermittent renewables must be paired with energy storage.

00:13:26.636 --> 00:13:30.356
<v SPEAKER_2>Fossil fuels, meanwhile, are their own chemical energy storage.

00:13:30.356 --> 00:13:49.816
<v SPEAKER_2>Thirdly, the grid frequency issue, which Joe and I just discussed, to make up for the fact that intermittent renewables don't have a spinning reserve, we are increasingly turning to technologies like synchronous condensers to ensure that grid frequency stays stable.

00:13:49.816 --> 00:13:57.376
<v SPEAKER_2>When we take all this into account, cost from renewables, there is still a path for them to be a very cheap source of energy.

00:13:57.376 --> 00:14:07.816
<v SPEAKER_2>We need to recognize that a combination of renewables plus transmission plus storage plus spinning reserve is required to replace a natural gas power plant one-on-one.

00:14:08.336 --> 00:14:13.256
<v SPEAKER_2>I guess, Julie, you could say the same thing about pump storage power or hydropower, right?

00:14:14.376 --> 00:14:21.576
<v SPEAKER_2>Because they're naturally built to have that reserve, right?

00:14:21.876 --> 00:14:22.136
<v SPEAKER_3>Yeah.

00:14:22.136 --> 00:14:26.396
<v SPEAKER_3>I'd say hydro and thermal power plants are very similar.

00:14:26.436 --> 00:14:37.056
<v SPEAKER_3>This is the regular big hydro dams or run river hydro and thermal power plants are very similar.

00:14:37.056 --> 00:14:40.296
<v SPEAKER_3>But renewables are really a different kind of technology.

00:14:40.296 --> 00:14:42.096
<v SPEAKER_3>They're just the energy.

00:14:42.096 --> 00:14:43.236
<v SPEAKER_3>It's not all this other stuff.

00:14:43.236 --> 00:14:46.576
<v SPEAKER_3>It's just the pure energy whenever the sun is available.

00:14:46.576 --> 00:14:48.676
<v SPEAKER_3>That's what they provide.

00:14:48.676 --> 00:14:54.516
<v SPEAKER_3>You need all of these other things to be paired with them in order to recreate a natural gas-fired power plant.

00:14:57.496 --> 00:15:03.276
<v SPEAKER_3>People always talk about this levelized cost of energy idea, but it's really just a deeply simplified thing.

00:15:03.336 --> 00:15:22.096
<v SPEAKER_3>I'd say that the levelized cost of energy from a solar panel is the same as if you just had a natural gas generator put on a natural gas processing plant, and you just burned some natural gas whenever it's available at sub-zero prices.

00:15:23.276 --> 00:15:25.236
<v SPEAKER_3>That's more the one-to-one comparison.

00:15:25.236 --> 00:15:33.696
<v SPEAKER_3>But a natural gas generator put on a natural gas processing plant, that's not very useful.

00:15:33.696 --> 00:15:42.896
<v SPEAKER_3>So maybe I'm getting too deep in the weeds here, but just making that energy useful is the most important part here.

00:15:42.896 --> 00:15:48.776
<v SPEAKER_3>It's not just creating the energy, it's making sure that the energy is available when it's needed.

00:15:48.936 --> 00:15:53.176
<v SPEAKER_3>I feel as though there's discussions around this are often way too simplistic.

00:15:53.176 --> 00:15:57.516
<v SPEAKER_2>The chickens are coming home to roost, or you could say the chickadees are lining up on the power line.

00:15:58.696 --> 00:16:08.556
<v SPEAKER_2>It's not only complicated, but it's very, very, it's disruptive to the whole economy and people's way of life.

00:16:08.556 --> 00:16:20.916
<v SPEAKER_2>You look at countries like South Africa and other African countries that have big problems with their grid systems and they're all falling apart.

00:16:22.256 --> 00:16:23.856
<v SPEAKER_2>It's not good.

00:16:23.896 --> 00:16:31.536
<v SPEAKER_2>Anyway, still very interesting stories and thanks for bringing them out today.

00:16:31.536 --> 00:16:32.056
<v SPEAKER_2>Yeah.

00:16:32.056 --> 00:16:34.616
<v SPEAKER_3>Well, one last developing story, Kelly.

00:16:34.616 --> 00:16:42.416
<v SPEAKER_3>So Reuters reported earlier this week, and this is a last minute edition, so interesting combination.

00:16:42.416 --> 00:16:52.996
<v SPEAKER_3>So Reuters reported on Monday that Alberta is considering an investment into Japan's refining sector, an interesting move to attempt to diversify Canadian oil export.

00:16:52.996 --> 00:17:06.616
<v SPEAKER_3>So this would reportedly involve a joint venture between the government of Alberta and one of Japan's top refining companies to build a Coker unit, which will allow the refinery to process heavy Canadian crude oil shipped on the Trans Mountain pipeline.

00:17:06.616 --> 00:17:14.216
<v SPEAKER_3>Now, this story is highly relevant to something that I'd like to now announce, which is our Fall Energy Security Forum Conference.

00:17:15.476 --> 00:17:28.596
<v SPEAKER_3>This conference, which I'm happy to be making public, is titled Canada's Next Chapter in the Indo-Pacific, and it will explore the burgeoning energy trade ties between Canada and countries in the region.

00:17:28.596 --> 00:17:42.256
<v SPEAKER_3>We'll be featuring speakers from Natural Resources Canada, the Trans Mountain Corporation, the Malaysian and Japanese embassies, AltaGas, the Pathways Alliance, Petronas, and many other key players in Canadian and global energy.

00:17:42.256 --> 00:17:48.456
<v SPEAKER_3>This full-day conference will be held on October 28th in Ottawa, so please save the date.

00:17:48.456 --> 00:17:52.456
<v SPEAKER_3>Registration will be available on our website soon.

00:17:52.456 --> 00:17:52.876
<v SPEAKER_2>That's right.

00:17:52.876 --> 00:17:57.856
<v SPEAKER_2>Yeah, Joe, you know, you've been working, the Oman service putting this together.

00:17:57.856 --> 00:18:08.096
<v SPEAKER_2>It's so timely, you know, and I'm sure in the discussion, we're going to get to, you know, Alberta's kind of forging its own path here on getting its resources into other markets.

00:18:08.096 --> 00:18:13.576
<v SPEAKER_2>And, you know, I commend you on the timeliness of this opportunity.

00:18:13.576 --> 00:18:14.936
<v SPEAKER_2>So that's great.

00:18:14.936 --> 00:18:15.996
<v SPEAKER_3>Absolutely, Kelly.

00:18:15.996 --> 00:18:17.496
<v SPEAKER_2>I'll try to clear my calendar.

00:18:17.496 --> 00:18:21.136
<v SPEAKER_3>OK, Joe, we'll get into our discussion with Richard then.

00:18:21.136 --> 00:18:24.796
<v SPEAKER_1>Hi, I'm Dave Perry, the president and CEO of the Canadian Global Affairs Institute.

00:18:24.796 --> 00:18:29.316
<v SPEAKER_1>I hope you're enjoying Energy Security Cubed, Canada's leading podcast on energy issues.

00:18:29.316 --> 00:18:38.896
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00:18:38.896 --> 00:18:44.516
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00:18:44.516 --> 00:18:46.996
<v SPEAKER_1>That's contact at cgai.ca.

00:18:48.216 --> 00:18:57.756
<v SPEAKER_2>For today's interview recorded August 26, 2025, we discussed some of the major shifts for international energy or politics and considerations for Canada.

00:18:58.996 --> 00:19:02.456
<v SPEAKER_3>With us to talk about this is Richard Bronze.

00:19:02.456 --> 00:19:09.796
<v SPEAKER_3>Richard is the head of Geopolitics and co-founder of commodities market analysis firm Energy Aspects.

00:19:11.316 --> 00:19:13.216
<v SPEAKER_2>Really delighted to have you on the podcast, Richard.

00:19:13.216 --> 00:19:24.816
<v SPEAKER_2>We've had a great relationship with Energy Aspects and Amrita over the past few years, and it's really good to have your expertise here to talk mostly about oil, but lots of other things too.

00:19:26.936 --> 00:19:27.416
<v SPEAKER_4>Well, thank you.

00:19:27.416 --> 00:19:29.756
<v SPEAKER_4>I'm really looking forward to the conversation.

00:19:31.116 --> 00:19:43.616
<v SPEAKER_2>To start off with, we're very interested in some of the dynamics playing out for global oil markets based on the geopolitical positions of the United States, Russia, India, China, and the European Union.

00:19:43.616 --> 00:19:52.576
<v SPEAKER_2>Last week we received news that the United States made double tariffs on India on August 27th, which is tomorrow, as a penalty for buying Russian crude oil.

00:19:53.896 --> 00:19:57.716
<v SPEAKER_2>Let's start off with a question about that, Richard.

00:19:57.716 --> 00:20:03.656
<v SPEAKER_2>How much of Indian purchases of Russian oil are growing in the last few years, and has it brought the two countries closer

together?

00:20:04.696 --> 00:20:06.036
<v SPEAKER_4>It's a really good starting point.

00:20:06.216 --> 00:20:16.076
<v SPEAKER_4>Before 2022 and Russia's full-scale invasion of Ukraine, India didn't really buy any meaningful volumes of crude oil from Russia.

00:20:16.076 --> 00:20:31.196
<v SPEAKER_4>It was a tiny fraction, less than 1% of its imports, and that has risen to something like 1.6 to 1.8 million barrels a day, which makes Russia India's biggest source of crude, and about 40% of total Indian imports.

00:20:31.196 --> 00:20:44.516
<v SPEAKER_4>It really is a very notable increase, and that is the swing of predominantly the Russian oil that used to go into Europe, has instead been coming around and going into Indian refineries.

00:20:44.516 --> 00:20:53.096
<v SPEAKER_4>Now, Russia and India already had a reasonably close relationship, particularly, for instance, India buys quite a lot of Russian defense equipment.

00:20:53.096 --> 00:21:04.236
<v SPEAKER_4>But I think that economic and that diplomatic coordination and collaboration has deepened, in part, because of this important trading relationship.

00:21:04.236 --> 00:21:10.536
<v SPEAKER_4>Hasn't all been smooth sailing, because equally Indian refiners have pushed Russian sellers quite hard for discounts.

00:21:10.536 --> 00:21:19.516
<v SPEAKER_4>They've seen this not as deliberately trying to support Russia or its war effort, but it is much more just an economic choice.

00:21:19.516 --> 00:21:27.496
<v SPEAKER_4>There is discounted Russian crude, and Indian refiners have been willing and able to buy it in ever-increasing volumes.

00:21:27.676 --> 00:21:28.076
<v SPEAKER_3>Yeah.

00:21:28.076 --> 00:21:32.016
<v SPEAKER_3>On that note, you've talked a little bit about this before.

00:21:32.196 --> 00:21:43.916
<v SPEAKER_3>We've talked extensively about the price cap sanctions that were originally imposed on Russian crude oil, and then also Russian crude oil or Russian oil products.

00:21:44.396 --> 00:21:53.916
<v SPEAKER_3>What strikes me about these new tariffs, which are really effectively sanctions, we could get down to the weeds about everything under IEPA is our sanctions.

00:21:53.916 --> 00:22:09.296
<v SPEAKER_3>But what strikes me about these tariffs is that they seem to contradict the spirit of the original price cap sanctions imposed back in 2022 on Russian oil and oil products.

00:22:09.296 --> 00:22:11.636
<v SPEAKER_3>These price cap sanctions are still enforced today.

00:22:12.816 --> 00:22:32.716
<v SPEAKER_3>So India has been accused by the Trump administration of profiteering from cheap Russian oil, which seems to me to be the entire idea of the price cap sanctions as you said right here is that we they wanted to keep the Russian oil flowing but at lower prices to prevent Russia from getting as much money from the sale of that oil.

00:22:32.716 --> 00:22:46.116
<v SPEAKER_3>But Richard, do you see this move to impose these new tariffs on India, punishing it for buying Russian crude as a possible break with the spirit of the oil price cap sanctions?

00:22:46.116 --> 00:22:52.176
<v SPEAKER_3>And does this open up greater restrictions on where Russia can sell its oil?

00:22:52.656 --> 00:22:56.196
<v SPEAKER_4>I think you've got to the heart of a real issue.

00:22:56.196 --> 00:23:21.296
<v SPEAKER_4>And I think it's a source of a lot of confusion and frustration for the Indian government, the Indian refiner, in terms of what they feel has been US policy over the last few years, certainly under the Biden administration, but even honestly continuing the first six months of the Trump administration, was that the overriding priority was to keep global oil prices at manageable levels.

00:23:21.296 --> 00:23:32.976
<v SPEAKER_4>And so there was a desire to reduce and limit Russia's revenues from selling oil and gas, but not if that triggered or worsened a global energy price shock.

00:23:32.976 --> 00:23:45.276
<v SPEAKER_4>And so India felt, and it took signals from Biden administration officials, that it was actually doing something beneficial by buying Russian oil, keeping the market overall balanced.

00:23:45.276 --> 00:23:47.516
<v SPEAKER_4>And they did push for discounts.

00:23:47.516 --> 00:23:55.996
<v SPEAKER_4>They didn't, and they haven't always complied with the price cap, by which I mean they haven't always limited their purchases to below $60 a barrel.

00:23:56.556 --> 00:24:01.616
<v SPEAKER_4>But the reason they haven't always done that is because of the emergence of the shadow fleet.

00:24:01.616 --> 00:24:16.636
<v SPEAKER_4>So the price cap sanctions, a lot of your listeners may be familiar, but it only limits or prevents access to Western insurers, banks, shippers, if you're buying Russian oil above the price cap levels.

00:24:16.636 --> 00:24:26.796
<v SPEAKER_4>It doesn't mean that it's prohibited to buy Russian oil entirely if it's priced above that, but it just means you can't use those Western maritime and financial services.

00:24:26.796 --> 00:24:43.016
<v SPEAKER_4>And when the policy was designed, that was thought to be a really effective mechanism that would allow the West to keep Russian oil flowing, but force Russian sellers to accept lower prices and reducing the revenues to the Russian government.

00:24:43.016 --> 00:24:56.796
<v SPEAKER_4>What it did instead was created a really big incentive for trading firms and for shipping networks to emerge that are outside the control and regulation of Western governments.

00:24:56.796 --> 00:25:05.696
<v SPEAKER_4>There's lots of secondary concerns and issues about older vessels, questionable levels of insurance, the environmental risks that come with that.

00:25:05.696 --> 00:25:14.956
<v SPEAKER_4>But I think what it meant was the price cap has never really worked as powerfully as the original architects intended.

00:25:14.956 --> 00:25:29.796
<v SPEAKER_4>But the feeling was, I think, or certainly from the

outside, the perception is that because oil prices came down from the 2020 highs, that was more desirable than going in and trying to tighten and toughen sanctions.

00:25:29.796 --> 00:25:38.456
<v SPEAKER_4>So India, I think, feel that was the status quo that had emerged and it was playing by the rules.

00:25:38.456 --> 00:25:44.656
<v SPEAKER_4>So the confusion and the frustration that I mentioned comes from the fact India is being singled out.

00:25:44.656 --> 00:25:46.676
<v SPEAKER_4>It's far from the only buyer of Russian oil.

00:25:47.736 --> 00:25:55.236
<v SPEAKER_4>China is the other really big one, but you've got Turkey on crude oil and products, you've got Brazil on products and others.

00:25:55.236 --> 00:26:04.476
<v SPEAKER_4>None of those are getting mentioned in anything like the same way by the Trump administration, and none of them are facing this 25 percent secretary tariff.

00:26:04.476 --> 00:26:07.996
<v SPEAKER_4>There's also then the view that why is a tariff being used?

00:26:07.996 --> 00:26:25.656
<v SPEAKER_4>You mentioned in a sense it's a form of sanction, but it's a very, very untargeted sanction, by which I mean Indian buyers have a very high record of compliance when it comes to, for instance, secondary sanctions on Iranian oil, secondary sanctions on Venezuelan oil.

00:26:25.656 --> 00:26:29.936
<v SPEAKER_4>They would argue they play by these rules that the US sets.

00:26:29.936 --> 00:26:44.276
<v SPEAKER_4>There are no equivalent sanctions blocking them from buying Russian oil, and yet this tariff is now being imposed, and they're not even clear what exactly the Trump administration wants them to do.

00:26:44.996 --> 00:26:49.196
<v SPEAKER_4>They've sought signals of is this about a complete halt to purchases?

00:26:49.196 --> 00:27:03.396

<v SPEAKER_4>Because if India were to stop buying all of that 1.6, 1.8 million barrels a day, the global oil market would be facing a renewed crisis, because that supply can't just find itself a new home.

00:27:03.396 --> 00:27:12.096
<v SPEAKER_4>We're going to face real production losses in Russia and real price increases, but it doesn't seem like that's what the White House wants.

00:27:13.256 --> 00:27:21.856
<v SPEAKER_4>And instead, so they don't know whether it's a 50% reduction, a 20% reduction, what is it that would cause a policy softening or change from Washington?

00:27:21.856 --> 00:27:25.456
<v SPEAKER_4>And I think a lot of governments around the world are navigating that.

00:27:25.456 --> 00:27:35.656
<v SPEAKER_4>But it's also not even well targeted to the Indian refiners, because this is going to apply to all Indian goods exports to the US.

00:27:35.696 --> 00:27:38.736
<v SPEAKER_4>Well, not all goods exports, actually, there are various carve-outs.

00:27:38.736 --> 00:27:43.996
<v SPEAKER_4>But Indian refiners aren't big exporters to the US, so they're not going to be the businesses in India.

00:27:43.996 --> 00:27:46.156
<v SPEAKER_4>They're going to hit the hardest with this.

00:27:46.156 --> 00:27:57.096
<v SPEAKER_4>And so I think that's just left a real uncertainty about how to proceed on the Indian side, but also a lot of diplomatic frustration.

00:27:57.096 --> 00:28:28.556
<v SPEAKER_4>And we can maybe get into why that's quite costly when you're thinking about US-India relations and thinking about how India positions itself in not just the energy market context, but diplomatically in the kind of years and decades ahead, you know, feeling like its alliance with the US has put it perhaps in a more vulnerable position compared to a country like China that is a much more adversarial response to the trade negotiations and to successive US administration.

00:28:28.976 --> 00:28:35.956

<v SPEAKER_4>I think India is really questioning what the signals that it's getting from Washington mean for its overall relationship.

00:28:37.516 --> 00:28:43.236
<v SPEAKER_3>Yeah, just going on a little bit off script here, I think India might have...

00:28:43.496 --> 00:29:01.216
<v SPEAKER_3>There's kind of a shared experience here between India and Canada where it comes to experiencing tariffs that seem to come out of nowhere and don't seem to be following any sort of real logical pathway between what sort of policy change the United States wants and what sort of measures they're using to try to get it.

00:29:01.216 --> 00:29:07.476
<v SPEAKER_3>And I think it's a really important point that these tariffs on India aren't actually targeting the supposed...

00:29:09.616 --> 00:29:13.936
<v SPEAKER_3>The refineries that are supposedly breaking with US policy on Russia.

00:29:13.936 --> 00:29:16.476
<v SPEAKER_3>I'm not really sure what the US wants on that front.

00:29:16.836 --> 00:29:18.896
<v SPEAKER_2>Yeah, I was just going to say the same thing, Joe.

00:29:19.276 --> 00:29:23.096
<v SPEAKER_2>It's like the Modi government is sort of on...

00:29:23.556 --> 00:29:25.836
<v SPEAKER_2>They don't know which way to turn here to try to...

00:29:26.576 --> 00:29:37.036
<v SPEAKER_2>I don't know if pacify is the right term, but you never know what you're going to get next from the Trump administration as far as some sort of a social blurb.

00:29:38.576 --> 00:29:49.816
<v SPEAKER_2>What I'd like to talk about now, Richard, is to kind of close up the loop on this Russian slash Indian oil question.

00:29:49.816 --> 00:30:10.476
<v SPEAKER_2>Something we should pay attention to is the Sanctioning Russia Act of 2025, a bipartisan bill that was brought forward in April, which would give the US president explicit permission from Congress to impose 500 percent tariffs on any country which imports Russian energy if Russia continues to act aggressively toward Ukraine.

00:30:11.656 --> 00:30:19.036
<v SPEAKER_2>Do you anticipate that real restrictions on Russian energy exports could be the direction of US policy if there's no peace agreement in Ukraine?

00:30:19.176 --> 00:30:25.796
<v SPEAKER_2>And where does India, for instance, to finish up with India, or what would that do?

00:30:26.856 --> 00:30:36.716
<v SPEAKER_4>Well, I think taking the first part of your question, I think we've got to remember that Congress, the Republicans, control both houses.

00:30:36.716 --> 00:30:54.596
<v SPEAKER_4>I think it's very hard to see a situation where the Republican leadership allows lawmakers to push something through that would seriously constrain President Trump's options when it comes to his Russia policy or his foreign policy more broadly.

00:30:54.596 --> 00:31:14.496
<v SPEAKER_4>So I think the genesis of the Russia Sanktons Act or bill, and it has a lot of bipartisan support, but it was really trying to get the Trump administration to put more pressure and exert more leverage on President Putin and Russia, which were sort of slow walking the peace talks.

00:31:14.496 --> 00:31:30.176
<v SPEAKER_4>And as soon as there was a sign that Trump was toughening his language and being more willing, the Republicans in Congress really wanted to work with the White House, coordinate, they didn't push this bill through before the summer recess.

00:31:30.236 --> 00:31:47.256
<v SPEAKER_4>I think that headline 500% tariff level everyone recognizes is unworkable, but they were designing a toolkit that could further extend the options the president would have if he decided to apply sanctions.

00:31:47.256 --> 00:32:16.956
<v SPEAKER_4>And I think when we see Congress come back from recess next week, which roughly coincides with Trump's two to three week timeline after the Alaska Summit to know where he says he'll know whether President Putin and Russia are serious about talks or not, we'll probably see Congress picking up the conversation about sanctions powers, but they're I think still going to be trying to coordinate that with the administration rather than trying to force President Trump's hand.

00:32:16.956 --> 00:32:31.516

<v SPEAKER_4>So the question really becomes, does President Trump ever get to a place where he is ready to impose and enforce meaningful sanctions over a sustained period?

00:32:31.516 --> 00:32:33.896
<v SPEAKER_4>I think this is hard to picture.

00:32:33.896 --> 00:32:36.556
<v SPEAKER_4>I think certainly we could see announcements.

00:32:36.556 --> 00:32:47.636
<v SPEAKER_4>We saw just before the Biden administration left office in January, we saw a big package of sanctions, a lot of vessels from the shadow fleet I mentioned before being mentioned, a lot of other elements.

00:32:47.636 --> 00:32:52.416
<v SPEAKER_4>That caused some temporary disruption to Russian oil flows, but workarounds were found.

00:32:52.416 --> 00:33:08.976
<v SPEAKER_4>Because these days, it's not just about what gets announced, it's about how much is their consistent enforcement of sanctions, and behind that, how much appetite do US and Western policymakers have to squeeze oil supply in the global market.

00:33:10.456 --> 00:33:18.316
<v SPEAKER_4>We hear repeatedly President Trump talking about lowering inflation, about lower gasoline prices for US consumers.

00:33:18.316 --> 00:33:26.416
<v SPEAKER_4>I don't think he's got much appetite to do anything which really takes large volumes of Russian supply out of the market.

00:33:26.416 --> 00:33:32.876
<v SPEAKER_4>Now perhaps that changes if his frustration with Putin boils over, if the conflicts continue.

00:33:32.876 --> 00:33:55.996
<v SPEAKER_4>But I think what we probably see as a response is primarily more weapons transfers and freedom to the government in Ukraine on the battlefield, and some sanctions measures, but probably not anything that is game changing from a global oil balances and from a Russian oil supply perspective.

00:33:55.996 --> 00:33:58.716
<v SPEAKER_4>Maybe it puts a little bit of downward pressure on the price.

00:33:58.716 --> 00:34:07.576

<v SPEAKER_4>It probably forces some temporary disruptions to those shadow fleets, those networks of traders who are operating outside the price cap.

00:34:07.576 --> 00:34:15.056
<v SPEAKER_4>And maybe we get to a place where Russia, sorry, where India is buying a little bit less Russian oil than the peak that we've seen.

00:34:15.956 --> 00:34:41.876
<v SPEAKER_4>But I don't think, you know, there's a desire or readiness in Washington to take half a million, a million, one and a half million barrels a day of Russian oil out of the market entirely, because that would have such a big knock on effect, unless you're very, very confident that the market is so oversupplied that actually it's going to be able to tolerate that kind of supply disruption.

00:34:46.356 --> 00:34:47.676
<v SPEAKER_3>So go ahead, Kelly.

00:34:47.676 --> 00:34:49.616
<v SPEAKER_2>Well, that's a whole different question, right?

00:34:49.616 --> 00:35:07.796
<v SPEAKER_2>Like this, and we're going to get a little bit into that later here with OPEC, but, you know, these, they seem like my new, you know, million barrels here, a million barrels there, but they're giant, they can be giant swings in, in how market perceives the actual oil supply curve and pricing.

00:35:07.836 --> 00:35:10.016
<v SPEAKER_2>So just to comment, Joe.

00:35:10.016 --> 00:35:11.016
<v SPEAKER_3>Yeah, yeah.

00:35:11.016 --> 00:35:19.716
<v SPEAKER_3>So it's important to note here that the Trump administration, of course, is taking a much softer tone on Russia than the Biden administration.

00:35:19.796 --> 00:35:24.276
<v SPEAKER_3>I don't think anybody's incredibly surprised by that.

00:35:24.276 --> 00:35:46.616
<v SPEAKER_3>But what was surprising is how much the Trump administration has been, I suppose, open to negotiation with China compared to what was anticipated, because we can remember that the Trump administration has always been, or the first Trump administration was very hawkish on China, kind of put the United

States increasingly on that bent.

00:35:46.616 --> 00:35:53.956
<v SPEAKER_3>You could say that that was going to happen anyways because of the lucidities trap or something like that.

00:35:53.956 --> 00:36:00.236
<v SPEAKER_3>But still, the trade moves against China were started by the Trump administration, continued by the Biden administration.

00:36:00.256 --> 00:36:09.816
<v SPEAKER_3>But now we have Trump too, and the second Trump administration seems to be for sure hawkish on China, but maybe less hawkish than people were anticipating.

00:36:11.796 --> 00:36:26.576
<v SPEAKER_3>While India has been targeted with these new tariffs for importing Russian crude oil, China has managed to get another pause on the major tariffs that the United States, the Trump administration had proposed for them.

00:36:27.136 --> 00:36:30.976
<v SPEAKER_3>And this is despite China being consistently the largest buyer of Russian oil.

00:36:30.976 --> 00:36:41.476
<v SPEAKER_3>And there's some interesting arguments being put out by Scott Bessent about why it is that China got this exemption while India got whacked with these tariffs.

00:36:41.476 --> 00:36:48.416
<v SPEAKER_3>Basically saying that China has always been a buyer of Russian oil, so it's not doing the sort of arbitrage.

00:36:48.556 --> 00:36:53.136
<v SPEAKER_3>I never really understood that argument, but we'll take it as is.

00:36:53.176 --> 00:37:03.536
<v SPEAKER_3>But nevertheless, the Trump administration has taken a much softer stance on China than anticipated around these oil tariffs.

00:37:03.536 --> 00:37:10.716
<v SPEAKER_3>Richard, why do you think it is that we're seeing this kind of softer approach being taken toward China?

00:37:11.356 --> 00:37:35.096
<v SPEAKER_4>I think to understand that, we really need to recognize the linkages between this sort of Russia tariff policy thread and the much broader reciprocal tariffs and the global trade war that began,

or the Trump administration began right from the start, but really with the announcement of rates at the beginning of April and the negotiation.

00:37:35.536 --> 00:37:48.296
<v SPEAKER_4>The talks with India, which I think the Trump administration early on thought could be one of its early win significant deals, really stumbled and hit into difficulties.

00:37:48.516 --> 00:38:00.736
<v SPEAKER_4>And just before we saw the 25% reciprocal tariff, or sorry, secondary tariff announced, we saw India being hit with a 25% reciprocal tariff.

00:38:00.736 --> 00:38:12.396
<v SPEAKER_4>So add those together and if they both stay in effect, that means a 50% tariff on Indian goods that are not exempt or that are not covered by other sectoral tariffs.

00:38:12.396 --> 00:38:26.016
<v SPEAKER_4>Everybody probably who listens to podcasts like this has got sick of all the caveats and complexities but that is getting to the level which our team estimates and assesses is embargo type.

00:38:26.016 --> 00:38:37.716
<v SPEAKER_4>It's such a significant tariff that those flows in most cases and if there are substitutes from untariffed or lower tariffed countries, you're probably gonna lose your access to the US market.

00:38:37.716 --> 00:38:50.196
<v SPEAKER_4>So this is a really big shift for a major US trading partner and such a key part of the global economy and, you know, the global diplomatic scene.

00:38:50.196 --> 00:39:00.636
<v SPEAKER_4>So I think there's an element where India got hit harder over Russian buying because the trade talks with the Modi government had stalled and because there was frustration about that.

00:39:01.736 --> 00:39:27.376
<v SPEAKER_4>I think India also got hit harder because it has less capacity to hit back, it isn't in the same position as China and I think the big reason pulling the curtain back that China isn't really facing an equivalent threat is that the Trump administration already went all the way up the escalatory ladder when it came to the trade standoff in April, May.

00:39:27.376 --> 00:39:52.436
<v SPEAKER_4>We got to both sides threatening tariffs of well over 100% on each other, China didn't back down, global markets, equity

markets, US bond markets all started to really react very negatively to the idea of an all-out embargo level trade blockade or disruption between the world's two largest economies.

00:39:52.436 --> 00:39:59.536
<v SPEAKER_4>And they found a way to walk back or climb back down that escalatory ladder, not to mix my metaphor too much.

00:39:59.536 --> 00:40:08.396
<v SPEAKER_4>So we are now in this place where the negotiations are ongoing, they get extended for 90 days at a time.

00:40:09.396 --> 00:40:14.436
<v SPEAKER_4>Our China analysts think that that pattern could continue well into next year.

00:40:14.436 --> 00:40:18.776
<v SPEAKER_4>We will see little side deals, we will see periods of tension.

00:40:18.776 --> 00:40:21.776
<v SPEAKER_4>There is obviously the rare earth metals and magnets.

00:40:21.776 --> 00:40:27.936
<v SPEAKER_4>We have had additional changes to the US restrictions on chip exports.

00:40:27.976 --> 00:40:36.136
<v SPEAKER_4>These little bits of give and take, but I think there's a realization in the White House.

00:40:36.136 --> 00:40:55.116
<v SPEAKER_4>They wouldn't ever acknowledge this, but the trying to go as hard on China, whether it's over buying of Russian oil or whether it's over other issues, isn't going to work because China isn't going to back down and offer concessions, and the market pain is too significant.

00:40:56.876 --> 00:40:59.616
<v SPEAKER_4>But India doesn't have that same response function.

00:40:59.616 --> 00:41:18.836
<v SPEAKER_4>It's a closer ally of the US, and what we've seen, and maybe this is an echo that you in Canada will recognize, is actually a lot of the hardest negotiation and policies have come towards the US's closer allies rather than its greater adversaries.

00:41:18.836 --> 00:41:33.516
<v SPEAKER_4>I think that is a reflection of Trump's negotiating style and his view that actually you can put more pressure on allies with

less risk of blowback, and so you can squeeze harder.

00:41:33.516 --> 00:42:06.756
<v SPEAKER_4>So I think if India is going to find a way out of or avoid seeing these two lots of 25% tariffs in place over the long run, part of it and the primary part of it will probably come down to how do those general trade negotiations progress if there is a deal there and maybe a small reduction in buying of Russian oil or maybe some other concessions that are tangentially linked to the Russia's question.

00:42:06.756 --> 00:42:10.496
<v SPEAKER_4>Then I think both of those tariffs could be substantially reduced.

00:42:10.496 --> 00:42:14.696
<v SPEAKER_4>Maybe the Russia related tariff would be unwound entirely.

00:42:14.696 --> 00:42:40.256
<v SPEAKER_4>I think it's much less likely that it all comes down to either India totally halting its buying of Russian oil and therefore getting this tariff removed because that would be too disruptive for oil markets, or that we get a rapid and clean peace agreement between Russia and Ukraine, because we're already seeing that process getting bogged down.

00:42:40.256 --> 00:42:47.476
<v SPEAKER_4>The Kremlin is not making any meaningful moves towards a bilateral meeting between presidents Putin and Zelensky.

00:42:49.156 --> 00:43:07.576
<v SPEAKER_4>The Trump administration is going to have to decide whether it wants to apply more pressure, but I think it's a long way from being in a place where a lifting of US energy or financial sanctions on Russia is going to be justifiable or is going to happen in practice.

00:43:10.456 --> 00:43:11.836
<v SPEAKER_2>Yeah, it's complicated.

00:43:12.976 --> 00:43:22.616
<v SPEAKER_2>There's a lot of pieces moving around and the chaos that could be created from any particular move is enormous.

00:43:22.616 --> 00:43:31.676
<v SPEAKER_2>But Richard, let's drift away from tariffs for a minute with a last question about OPEC.

00:43:31.676 --> 00:43:36.436

<v SPEAKER_2>Crude oil prices have been relatively low for the last few months based upon periods of oversupply.

00:43:37.636 --> 00:43:45.136
<v SPEAKER_2>However, while OPEC has repeatedly raised their production targets, they've also been missing these targets.

00:43:45.136 --> 00:43:48.516
<v SPEAKER_2>What in your view is going on in OPEC and OPEC Plus?

00:43:50.696 --> 00:44:03.076
<v SPEAKER_4>So I think OPEC Plus is actually, and the key countries within the group are actually pretty content with where markets have unfolded.

00:44:03.216 --> 00:44:11.636
<v SPEAKER_4>Clearly, oil prices have come down a little bit from the start of the year, which is never welcome if you're an oil producer.

00:44:11.636 --> 00:44:17.376
<v SPEAKER_4>But they've fallen by far less than many observers and analysts were predicting.

00:44:18.496 --> 00:44:31.016
<v SPEAKER_4>Not only is flat price still in the 60s, bouncing around and reasonably stable even after the OPEC Plus countries have announced a two and a half million barrel a day increase to their combined targets.

00:44:31.996 --> 00:44:54.216
<v SPEAKER_4>But the forward curves are backwardated, not quite as steeply as they were, but it's still not a market where the price signals are supporting the projections that most observers and even our own balances suggest we're meant to be heading into a heavily oversupplied market.

00:44:54.216 --> 00:44:56.736
<v SPEAKER_4>And yet prices are not telling us that that's the case.

00:44:56.736 --> 00:44:58.356
<v SPEAKER_4>So there's a question there.

00:44:58.896 --> 00:45:12.696
<v SPEAKER_4>But I think for OPEC Plus, which came into this year with this growing internal tension, some countries in the group were meeting their obligations, producing only at the level that they had voluntarily set.

00:45:12.696 --> 00:45:15.196
<v SPEAKER_4>Others were overproducing.

00:45:15.196 --> 00:45:29.396
<v SPEAKER_4>And then we saw in the first few months of this year, Kazakhstan bring online a big expansion of its Tengiz oil field and really surge its production to hundreds of thousands of barrels a day above its quota.

00:45:29.396 --> 00:45:44.536
<v SPEAKER_4>Which is substantial, not only in terms of Kazakhstan's overall production, about two million barrels a day, but also substantial in terms of the effect it can have and was having on global oil markets and global sentiment.

00:45:44.536 --> 00:45:53.536
<v SPEAKER_4>So by increasing quotas or targets, what the group has done, I think, has achieved quite an important reset in those internal relationships.

00:45:53.936 --> 00:46:10.516
<v SPEAKER_4>Countries like Saudi Arabia, which has added a million barrels a day out of the two and a half million barrels a day, now have much higher targets, they have more headroom, and they feel a more equitable distribution of the burden across the OPEC group.

00:46:10.516 --> 00:46:24.696
<v SPEAKER_4>And even the countries that were exceeding their targets, because their targets have risen, even if they didn't cut back production, their overproduction isn't as serious or as large as it was before.

00:46:24.696 --> 00:46:27.376
<v SPEAKER_4>So not everything is perfect for OPEC class.

00:46:27.376 --> 00:46:30.936
<v SPEAKER_4>There are definitely still question marks and challenges ahead.

00:46:30.936 --> 00:46:48.596
<v SPEAKER_4>But I think the group is actually pretty pleased to have got to this point, to have rapidly unwound the cuts, you know, that, you know, and each time it accelerated, people talked about how this was just going to, you know, worsen the oversupply in the market.

00:46:48.596 --> 00:46:52.136
<v SPEAKER_4>And yet we're still not seeing it and prices still aren't showing it.

00:46:52.136 --> 00:47:09.736
<v SPEAKER_4>So I think the group finds itself with a little bit more internal discipline and with quite a bit more flexibility over what

policies it's going to make heading into 2026, depending which direction the market as a whole goes.

00:47:11.576 --> 00:47:31.296
<v SPEAKER_2>Yeah, you know, it's interesting that given all of the instability globally, the global oil market has really kind of found a balance that doesn't have a big Vs, big valleys and climbs in the in the curve.

00:47:31.296 --> 00:47:37.356
<v SPEAKER_2>Like it's sort of found a band that's, you know, it seems pretty stable to me, right?

00:47:37.356 --> 00:47:43.056
<v SPEAKER_2>Where it is right today compared to, you know, the talking heads, you know, I was going to go to 30 bucks.

00:47:43.116 --> 00:47:44.776
<v SPEAKER_4>Or 200.

00:47:44.776 --> 00:47:46.216
<v SPEAKER_1>I think 200, 200.

00:47:46.216 --> 00:47:46.756
<v SPEAKER_2>Yeah, right.

00:47:46.756 --> 00:47:57.876
<v SPEAKER_4>Like we can't ignore that this is, you know, a year where we've had a, you know, a significant conflict involving several major oil producers.

00:47:57.876 --> 00:48:06.636
<v SPEAKER_4>We've had Iran, Israel, and we've had a US supported and US participation in a, in an airstrike on Iran's nuclear facilities.

00:48:07.176 --> 00:48:13.136
<v SPEAKER_4>That was always one, you know, as, as I've been following geopolitics and oil markets for 15 years.

00:48:13.136 --> 00:48:31.436
<v SPEAKER_4>And, you know, if I had told myself five years ago, that we would see oil prices only rise by 10, 15 dollars in a scenario where Iran and Israel were in a full conflict, and the US participated in bombing those nuclear sites.

00:48:31.436 --> 00:48:32.876
<v SPEAKER_4>I just wouldn't have believed it.

00:48:32.876 --> 00:48:50.336
<v SPEAKER_4>That's, I think, a reflection of how much the way that

the oil market processes geopolitical risk has shifted, and maybe how confident or even complacent oil traders become, that we're not going to see a big sustained supply disruption.

00:48:50.996 --> 00:49:00.736
<v SPEAKER_4>And I think that's an interesting contrast, where if you look at that trend, that actually oil markets are much less sensitive to geopolitical noise.

00:49:00.736 --> 00:49:10.056
<v SPEAKER_4>They do still respond to geopolitical risk, and if supplies were disrupted for any length of time in a large way, oil prices would react.

00:49:10.056 --> 00:49:13.736
<v SPEAKER_4>But I think they're much less sensitive to the headline, the tweet.

00:49:14.096 --> 00:49:20.376
<v SPEAKER_4>They've kind of got calibrated or inured to that.

00:49:20.376 --> 00:49:33.136
<v SPEAKER_4>But if you look across to global gas markets, those have actually, I think, become much more exposed and responsive to geopolitical risk in a way that 10 years ago they really weren't.

00:49:33.176 --> 00:49:37.476
<v SPEAKER_4>So TTF prices in Europe, but also the energy prices.

00:49:37.476 --> 00:49:50.456
<v SPEAKER_4>Our client base, we now find as many questions from our gas clients about geopolitical risk, about the latest twist and turn in the Russian-Ukraine War, as we do from oil clients.

00:49:50.456 --> 00:49:56.476
<v SPEAKER_4>And I think that's reflective of a change that's occurring in both markets.

00:49:56.556 --> 00:50:23.456
<v SPEAKER_2>Well, you know, Joe, just before you carry on, as we close up here, you know, as Canada has become finally a LNG seller globally, and looking to, you know, Fed and already possibly to have a second train and the other LNG terminals that we're bringing on, we should have you back on or one of your colleagues to talk about gas markets globally, sometime here in the future.

00:50:23.456 --> 00:50:24.676
<v SPEAKER_4>I mean, we'd be really happy to.

00:50:24.776 --> 00:50:41.336

<v SPEAKER_4>And I think, yeah, it's a really interesting time for Canada as an oil and a gas producer and increasingly a global exporter, you know, to position as a stable, apolitical or less political source of supply.

00:50:41.336 --> 00:50:57.836
<v SPEAKER_4>I think there are big opportunities in markets, both in the Atlantic Basin and in Asia, to position supply which not only meets kind of quality standards, but increasingly meets that kind of political stability and reliability test.

00:50:58.456 --> 00:51:03.056
<v SPEAKER_3>Yeah, there's many discussions going on right now here in Canada.

00:51:03.056 --> 00:51:13.976
<v SPEAKER_3>Of course, you might have seen that we just put out two statements in conjunction with the Prime Minister of Poland and the Chancellor of Germany.

00:51:13.976 --> 00:51:20.296
<v SPEAKER_3>Mark Carney just put out two statements affirming Canada's commitment to bolstering them on critical minerals and energy.

00:51:20.496 --> 00:51:22.416
<v SPEAKER_3>So really curious to see how that goes.

00:51:22.416 --> 00:51:39.536
<v SPEAKER_3>But then, of course, on the Indo-Pacific side for energy demand in Asia, that's of course big concern for Canada with the Trans Mountain Pipeline, with the increasingly large LPG facilities, and of course with LNG Canada.

00:51:39.536 --> 00:51:48.576
<v SPEAKER_3>I think market balances in Asia, how much Asian countries need Canadian energy, and what Canada can do to bolster their energy security.

00:51:48.636 --> 00:51:52.416
<v SPEAKER_3>I think all of these are very important considerations for Canada going forward.

00:51:52.416 --> 00:52:00.776
<v SPEAKER_3>So for sure, echoing Kelly, we should bring on more people from Energy Aspects to provide some insights into those questions.

00:52:02.036 --> 00:52:15.396
<v SPEAKER_3>But just to finish off this conversation, Richard, and

this is more of a fun question, something that our listeners are always interested in, and we're talking a little bit about this book before we start the recording here.

00:52:15.396 --> 00:52:16.776
<v SPEAKER_3>What are you reading these days?

00:52:16.896 --> 00:52:25.436
<v SPEAKER_3>Ideally for pleasure, but I'm sure that you can also list off some technical tomes as well if you so choose.

00:52:25.436 --> 00:52:25.636
<v SPEAKER_4>Yeah.

00:52:25.636 --> 00:52:32.316
<v SPEAKER_4>I mean, I find my reading is, I haven't made it to a beach this summer, so most of it has still been somewhat work related.

00:52:32.316 --> 00:52:40.236
<v SPEAKER_4>I'm currently reading Eddie Fishman's recently released book Chokepoints, which is very topical for a lot of what we've talked about.

00:52:40.356 --> 00:52:47.836
<v SPEAKER_4>He follows and charts the history of US sanctions and economic statecraft.

00:52:47.836 --> 00:53:08.296
<v SPEAKER_4>I think really situates why the US has gained so much leverage and this toolkit, why it's so appealing to politicians to be able to put pressure on a hostile country without having to fire a shot or deploy troops anywhere nearby.

00:53:09.016 --> 00:53:22.316
<v SPEAKER_4>But also I think a warning that actually either overusing sanctions or using them without a very clear scalpel-like focus and rationale is actually very unlikely to achieve your goals.

00:53:22.316 --> 00:53:30.196
<v SPEAKER_4>And there's been a heavy and a growing use of sanctions by both Democratic and Republican US administrations.

00:53:30.196 --> 00:53:40.696
<v SPEAKER_4>We're even seeing the European Union and the UK and to an extent, you know, the Canadian government being far more active in using sanctions as a tool.

00:53:40.696 --> 00:53:53.296
<v SPEAKER_4>But I think when you look and you say, how many times have these sanctions actually achieved the policy outcome that they

would, you know, stated to be serving or seeking, it's pretty weak.

00:53:53.296 --> 00:54:20.336
<v SPEAKER_4>And I think, again, energy markets are becoming increasingly used to digesting big sanctions announcements, determining whether they are going to be met with or backed up by consistent enforcement that might lead to disruption, and often discounting their relevance to life and demand fundamentals, or at least, yeah, reducing and estimating.

00:54:20.436 --> 00:54:50.976
<v SPEAKER_4>So the more that you wave this stick around, unless you're very clear what you're trying to do, the less that large parts of the market will pay attention, but you are equally still creating disruption, you're still creating friction for the global trade system, and you're maybe giving incentives for trading partners to become less dependent on the US and on the Western financial system.

00:54:50.976 --> 00:55:04.456
<v SPEAKER_4>We've seen, you know, coming back to our early conversation, India and Russia working quite hard to set up payment mechanisms that don't rely on the dollar, that don't go through the US financial system.

00:55:04.456 --> 00:55:21.016
<v SPEAKER_4>And actually, we aren't in a place where, you know, the dollar is going to get dethroned as the currency or the principal currency of global trade, but we are getting to a world where there are viable, scaled alternatives that are beyond the reach of US policy makers.

00:55:21.016 --> 00:55:32.496
<v SPEAKER_4>And I think in large part, that's because US policy makers have sought to use their leverage more and more frequently and more and more bluntly.

00:55:32.956 --> 00:55:40.076
<v SPEAKER_4>So yeah, definitely not a relaxing book, but I think a very timely and a really well written one that I'm enjoying a lot.

00:55:40.076 --> 00:55:52.516
<v SPEAKER_3>I suppose the big concern about that is that going forward, if sanctions lose their efficacy, then what alternatives are there to try to compel other countries to follow a policy that you prefer?

00:55:52.516 --> 00:56:02.656
<v SPEAKER_3>And I think that the unfortunate logic of that goes toward more the actual physical force versus the financial force.

00:56:02.656 --> 00:56:06.216
<v SPEAKER_3>So big questions about that.

00:56:06.216 --> 00:56:08.316
<v SPEAKER_2>Richard, thanks so much for coming on the podcast.

00:56:08.796 --> 00:56:10.096
<v SPEAKER_2>We just love energy aspects.

00:56:10.096 --> 00:56:12.976
<v SPEAKER_2>We're so glad that we have an association with you folks.

00:56:12.976 --> 00:56:21.416
<v SPEAKER_2>You really help us out with guests for the pod and some of the events we've had in Calgary and other places.

00:56:21.416 --> 00:56:22.916
<v SPEAKER_2>So thanks again.

00:56:22.916 --> 00:56:23.576
<v SPEAKER_4>Well, my pleasure.

00:56:23.576 --> 00:56:27.316
<v SPEAKER_4>I've really enjoyed the discussion and I hope people have enjoyed listening.

00:56:28.216 --> 00:56:33.776
<v SPEAKER_4>Feel free to reach out if energy aspects can do anything to help in their work.

00:56:33.776 --> 00:56:34.476
<v SPEAKER_4>Yeah, absolutely.

00:56:34.516 --> 00:56:39.596
<v SPEAKER_3>I really recommend our listeners look up energy aspects, check out what they do.

00:56:39.596 --> 00:56:41.716
<v SPEAKER_3>Thanks again, Richard.

00:56:41.716 --> 00:56:47.876
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00:56:47.876 --> 00:56:52.376
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00:56:52.376 --> 00:56:53.796
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00:56:54.596 --> 00:56:59.816
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00:56:59.816 --> 00:57:07.476
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00:57:07.476 --> 00:57:11.076
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00:57:11.076 --> 00:57:16.156
<v SPEAKER_2>Thanks go out to our producer, Joe Calnan, and to Drew Phillips for providing our music.

00:57:16.156 --> 00:57:17.056
<v SPEAKER_2>I'm Kelly Ogle.

00:57:17.056 --> 00:57:19.076
<v SPEAKER_2>Thanks for joining us on Energy Security Cubed.