

# Global Energy Security Implications of a Potential US Strategic Pivot Away From The CENTCOM AOR



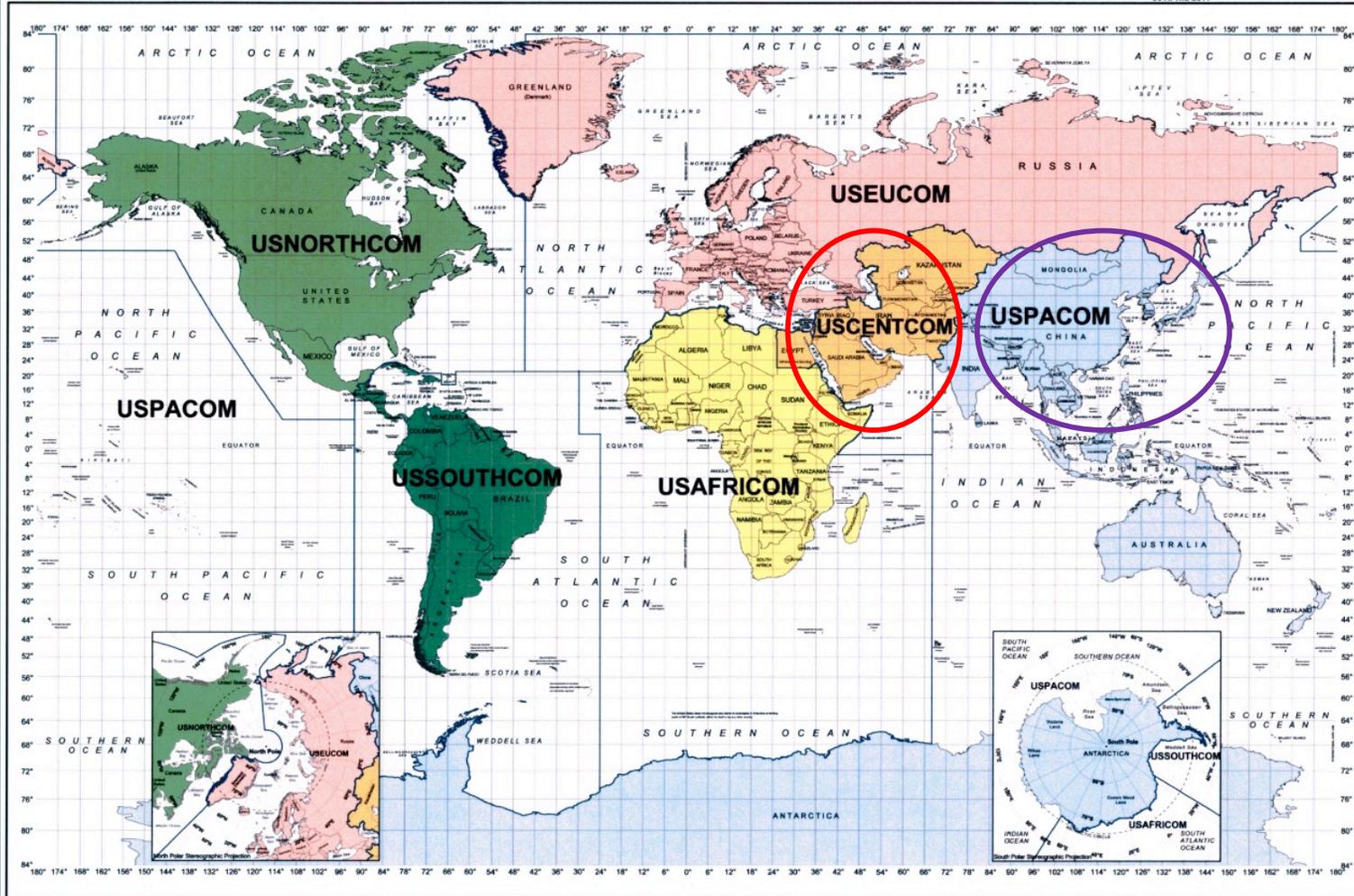
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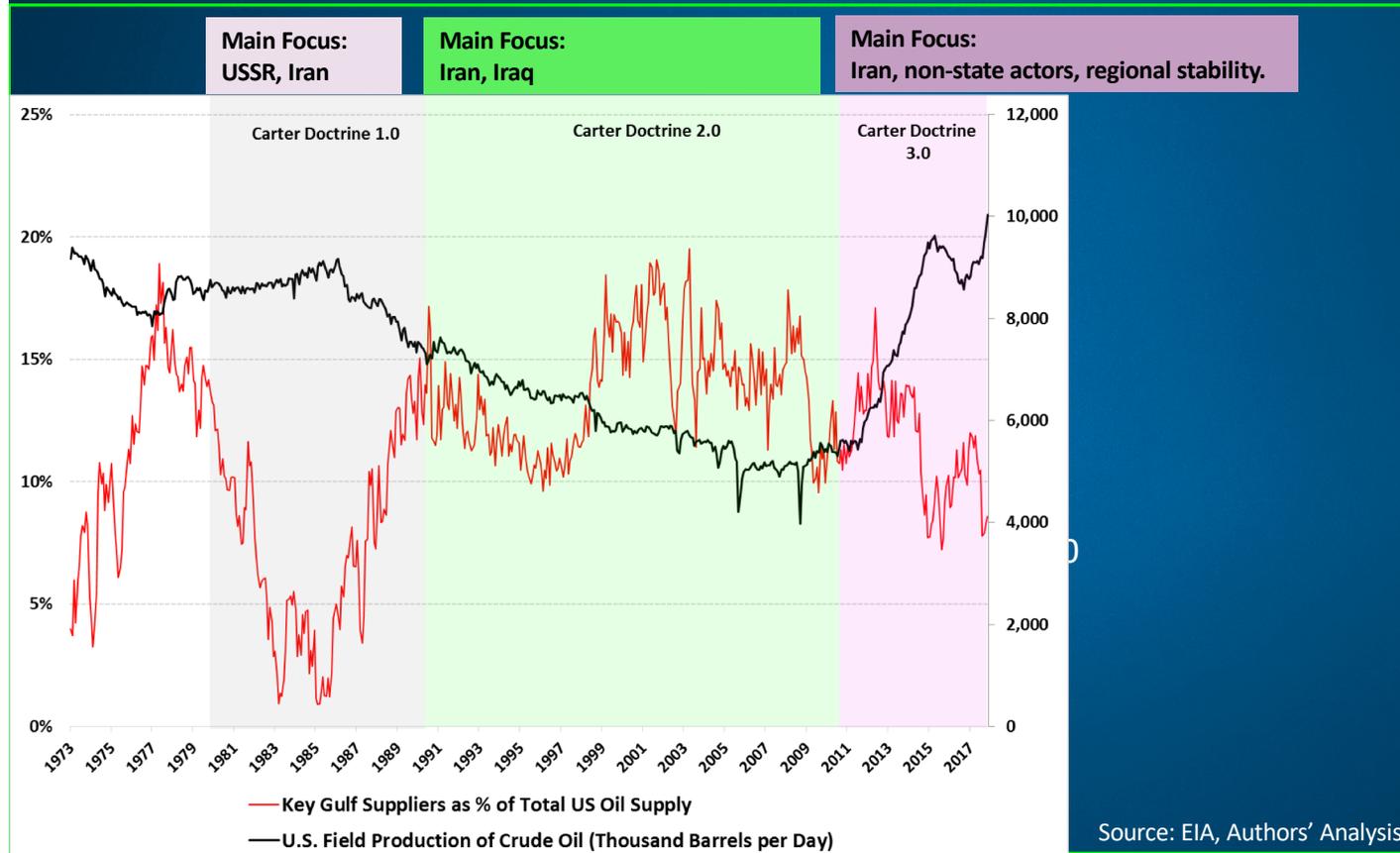
# Big Picture Themes

- 1) **How should US balance hard power assets between strategically vital regions?**
- 2) **Hydrocarbon supply and demand patterns continue to shift dramatically**
  - A. World energy structure poised to remain carbon-centric for at least the next decade, probably longer
  - B. Carter Doctrine 3.0—Assessing a Possible Re-Think of U.S. role vis-à-vis the Gulf Region
- 3) **U.S. oil and gas production has boomed—but U.S. has strong reasons for staying engaged in CENTCOM AOR as a stability provider and an oil & gas protector**
- 4) **“End of History” worldview unravelling fast**
  - A. Great power competition is back
  - B. And so is nationalism and ideological competition
  - C. How to balance (largely) shared economic interest in free transit of global maritime commons with the reality that the United States’ Near Peer Competitor and many secondary powers seek to restrict transit near their shores?
  - D. How can the U.S. and its allies effectively respond?
- 5) **Shifting hard power assets between CENTCOM and other regions (first and foremost PACOM) may entail serious real world opportunity costs**

# Shifting US Policy Toward the Gulf Region? Are We Seeing Carter Doctrine 3.0 Emerge?

▶ “Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.”

—President Jimmy Carter, 1980 State of the Union Address



Source: EIA, Authors' Analysis

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## POLICY BRIEF 04.27.17

### Carter Doctrine 3.0: Evolving U.S. Military Guarantees for Gulf Oil Security

Gabriel Collins, J.D., Baker Bots Fellow in Energy & Environmental Regulatory Affairs, Center for Energy Studies  
Jim Crane, Ph.D., Wallace S. Wilson Fellow for Energy Studies, Center for Energy Studies

**INTRODUCTION**

In his 1980 State of the Union address, President Jimmy Carter introduced the now legendary “Carter Doctrine,” saying: “Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.”<sup>1</sup>

At the time, America was a significant importer of crude oil from the Gulf countries. The American public understood the need for U.S. military protection. Nowadays, however, U.S. military power underpins security for Gulf crude oil exports that increasingly flow to Asia. Indeed, the story told by physical oil flows is anything but Western-centric. Between 2000 and 2015, oil demand in North America and Europe grew by less than 0.2 million barrels per day (bpd), while East Asian demand grew by more than 5.2 times that amount. Unsurprisingly, Gulf Cooperation Council (GCC) oil exporters have re-oriented exports toward Asia. For instance, in 2015, roughly 50% of Saudi Aramco’s crude oil exports went to the Far East. By 2015, 65% of the company’s crude oil volumes headed east.<sup>2</sup>

While Asian demand for Gulf crudes was growing rapidly, the shale boom helped decrease U.S. reliance on imported crude from nearly 70% of the total supply in 2007 to just 35% by 2015 (Figure 1). Against this backdrop, some experts are now calling for Washington to reconsider the Carter Doctrine and America’s role as the preeminent military guarantor of Gulf oil exports.<sup>3</sup>

Yet hard security in the Gulf remains firmly in the hands of the U.S. military, and to a lesser extent, key regional and Western allies. This brief argues that, despite changes in trade relations, America retains an enduring interest in preserving political stability and securing oil flows from the Persian Gulf. Washington continues to invest in regional security so that Gulf oil can securely and predictably find its way to refiners and consumer markets worldwide, be they in Beijing, Inchon, Rotterdam, Shanghai, Singapore, Tokyo—or Houston.

**THE EVOLUTION OF THE CARTER DOCTRINE SINCE 1980**

The relationship between the United States and its Gulf allies has evolved in important ways since President Carter’s 1980 declaration of America’s “vital interests” in the Persian Gulf. The Carter Doctrine’s first phase, which we label Carter Doctrine 1.0, was prompted by the convulsive events of 1979–80, particularly the Soviet invasion of Afghanistan and the Iranian revolution. Although U.S. physical dependence on Gulf oil supplies steadily declined between

**Washington continues to invest in regional security so that Gulf oil can securely and predictably find its way to refiners and consumer markets worldwide, be they in Beijing, Inchon, Rotterdam, Shanghai, Singapore, Tokyo—or Houston.**

# Carter Doctrine 3.0 And The 2017 US National Security Strategy

## ▶ Stated Goals

- Middle East: “The United States seeks a Middle East that is not a safe haven or breeding ground for jihadist terrorists, not dominated by any power hostile to the United States, and that contributes to a stable global energy market.”—NSS, Page 48
- Indo-Pacific: “A geopolitical competition between free and repressive visions of world order is taking place in the Indo-Pacific region.”—NSS (Page 45)

## ▶ How We Purport to Get There (Military and Security Priority Actions)

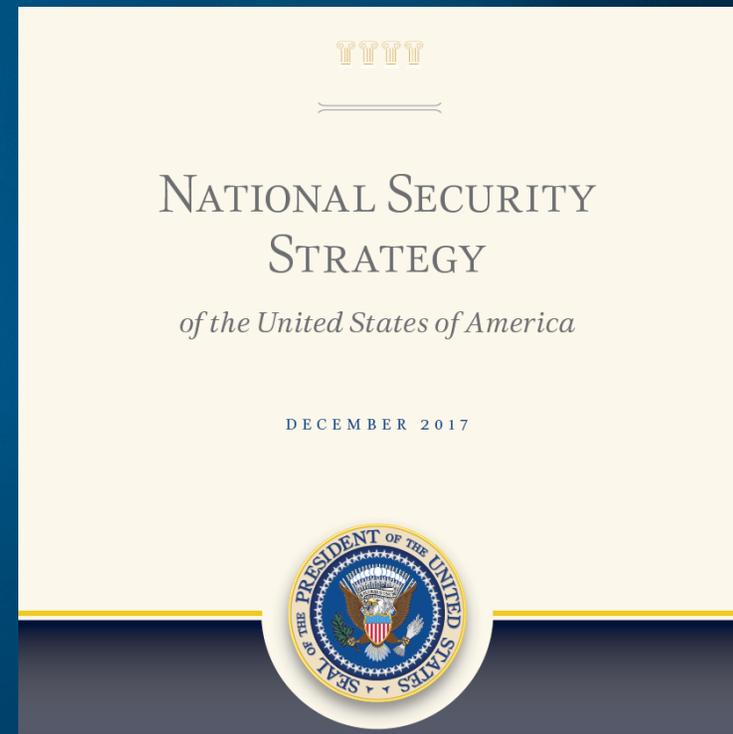
- Middle East: “We will retain the necessary American military presence in the region to protect the United States and our allies from terrorist attacks and preserve a favorable regional balance of power.”—NSS (Pages 49-50)
- Indo-Pacific: “We will maintain a forward military presence capable of deterring and, if necessary, defeating any adversary.”—NSS (Page 47)

## ▶ The Looming Question: How to Most Effectively Operationalize The Stated Objectives And What Should We Be Thinking About As We Undertake That Formidable Process?

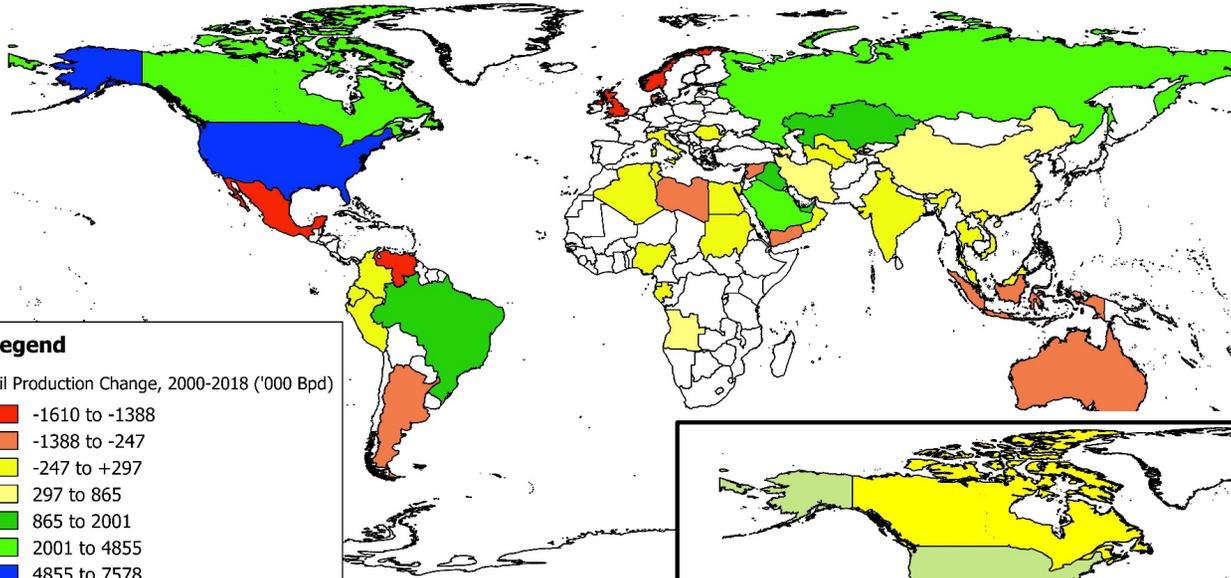
## ▶ Thinking the drivers through gives a better chance of retaining strategic coherence and re-assuring allies of US intentions and credibility in multiple key regions

Issues are material

Issues are potentially existential

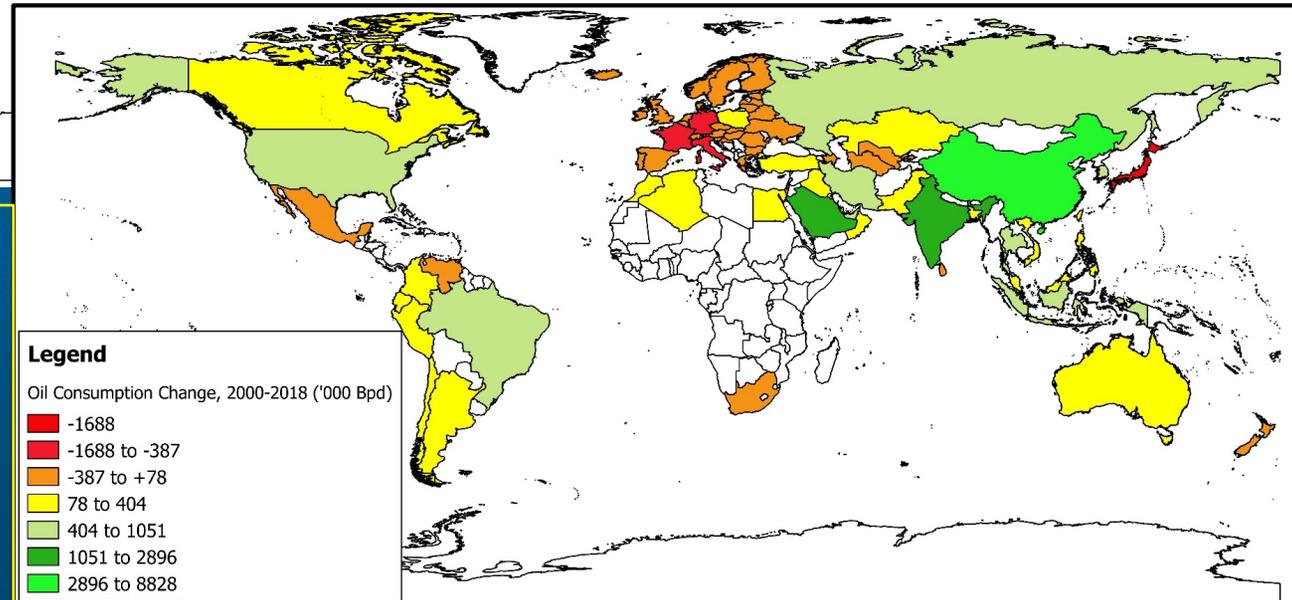


# Thinking About Evolving Oil Trade Patterns and Supply Security



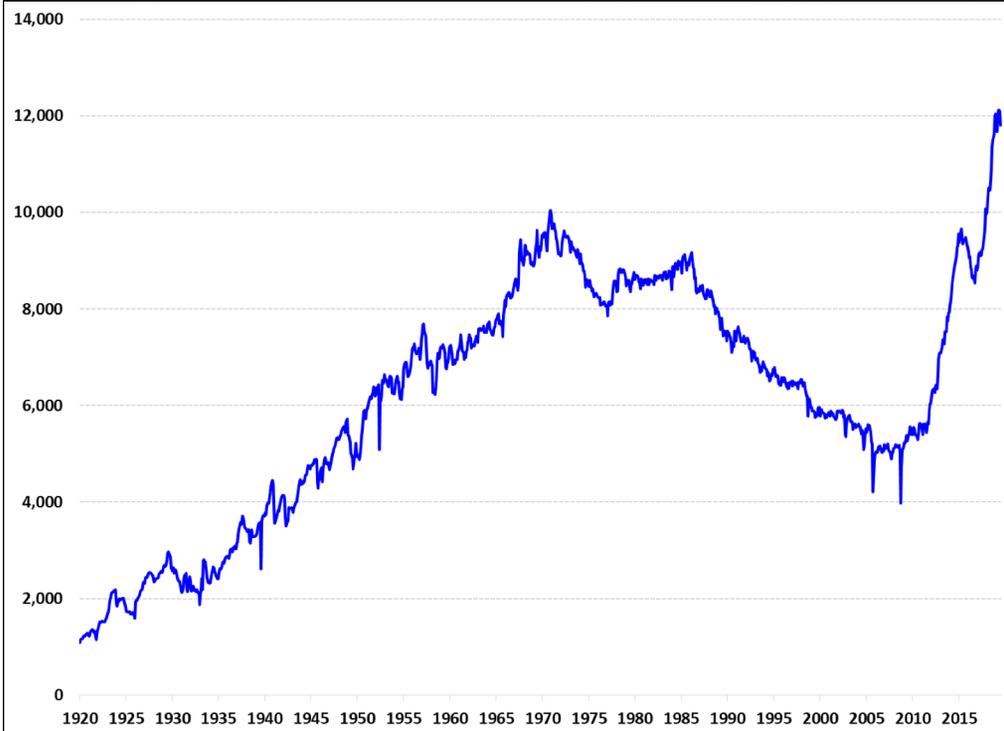
- The Eastern Hemisphere dominates oil demand increases, especially since the 2008 GFC.
- China, and to a lesser extent, India, have been the dominant oil demand growth engines.
- Indeed, China has for a decade and running functioned as a global “oil consumer of last resort.”

- The Western Hemisphere has become much more important as a source of tradable oil supplies, although two of its main producers (Mexico and Venezuela) are deeply impacted by above-the-ground challenges that impede resource development.
- Russia and the Middle East have also increased output to meet global demand.
- Economically and geologically speaking, Middle Eastern producers will be the “last barrels standing.”



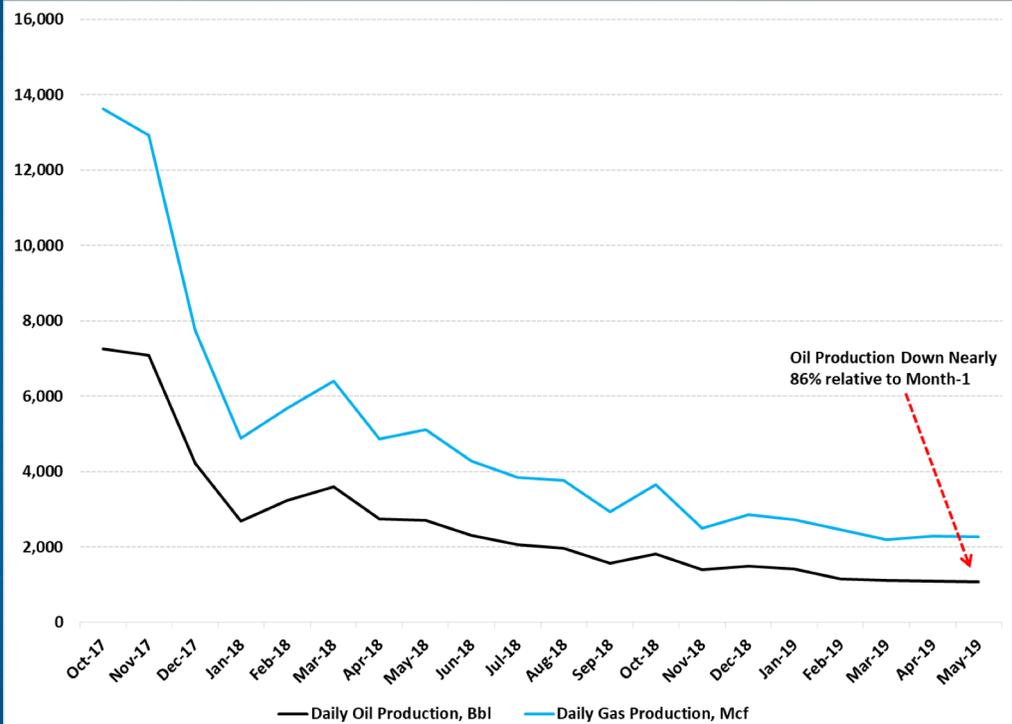
# US Liquids Production Has Boomed But Obstacles to Future Growth Loom

## US Field Production of Crude Oil, '000 Bpd



Source: EIA

## Decline Profile of High-Grade Permian Basin Wellpad



Source: NM OCD, Author's Analysis

# Shale is Not Forever...And It Will Not Deliver US Energy Independence

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## OIL AND THE FUTURE OF U.S. STRATEGY IN THE PERSIAN GULF

ANAND TOPRANI  
COMMENTARY

MAY 15, 2019



Will the so-called "[shale revolution](#)" allow the United States to disengage from the Persian Gulf? A rich body of scholarship argues that since the United States no longer depends on imports of Gulf oil, it can extricate itself from the region militarily and even disengage politically with minimal negative repercussions. The United States cannot, in fact, afford to radically downsize its footprint in the Persian Gulf in the immediate future.

10/29/2019

Shale is Not Forever: Why America Should Continue Protecting Gulf Oil and Gas Flows

THE NATIONAL INTEREST

Published on *The National Interest* (<https://nationalinterest.org>)

Home > Shale is Not Forever: Why America Should Continue Protecting Gulf Oil and Gas Flows

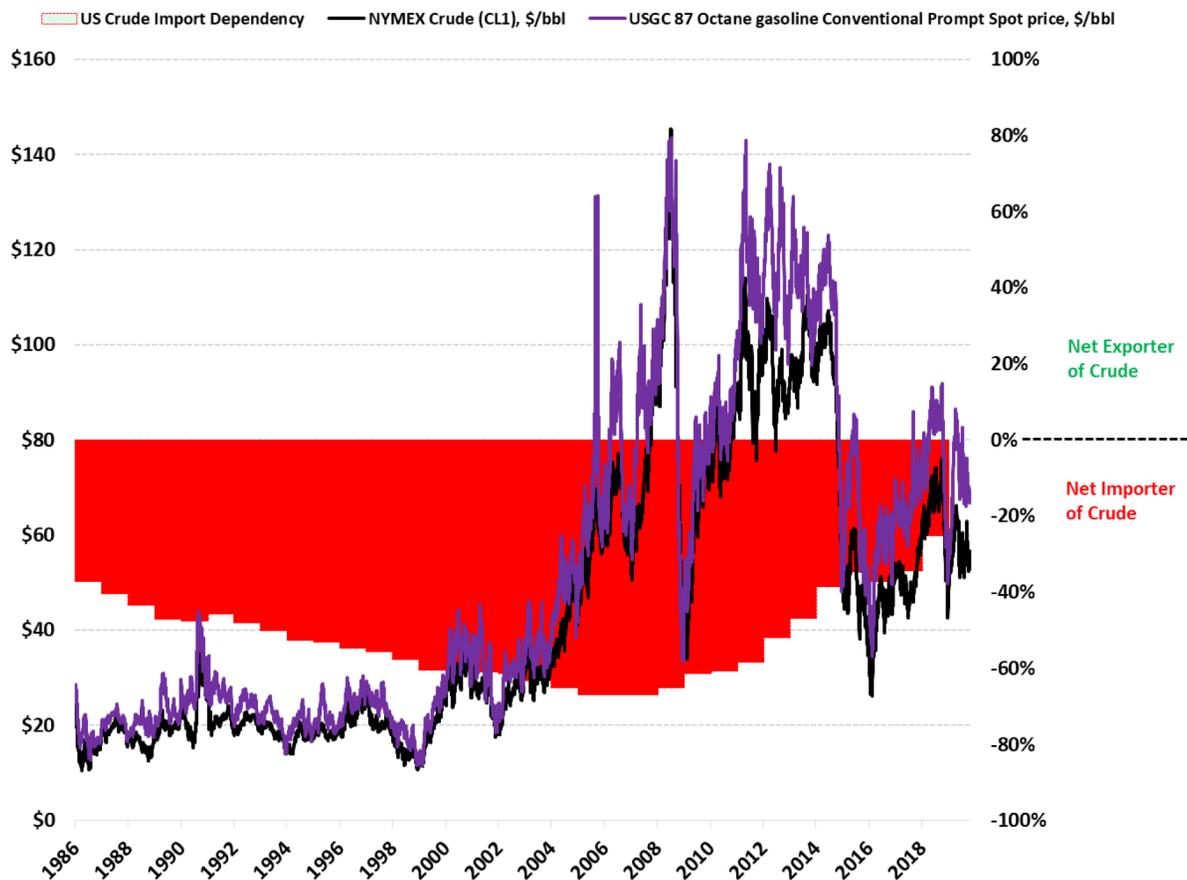
## Shale is Not Forever: Why America Should Continue Protecting Gulf Oil and Gas Flows



July 8, 2019 *Topic:* Security *Region:* Middle East *Blog Brand:* Middle East Watch *Tags:* Oil, Shale, Persian Gulf, Economics, War

A stout U.S. military deterrent to those who might threaten oil and gas flows from the Gulf does not guarantee stable prices, but it helps reduce the risk of both damaging

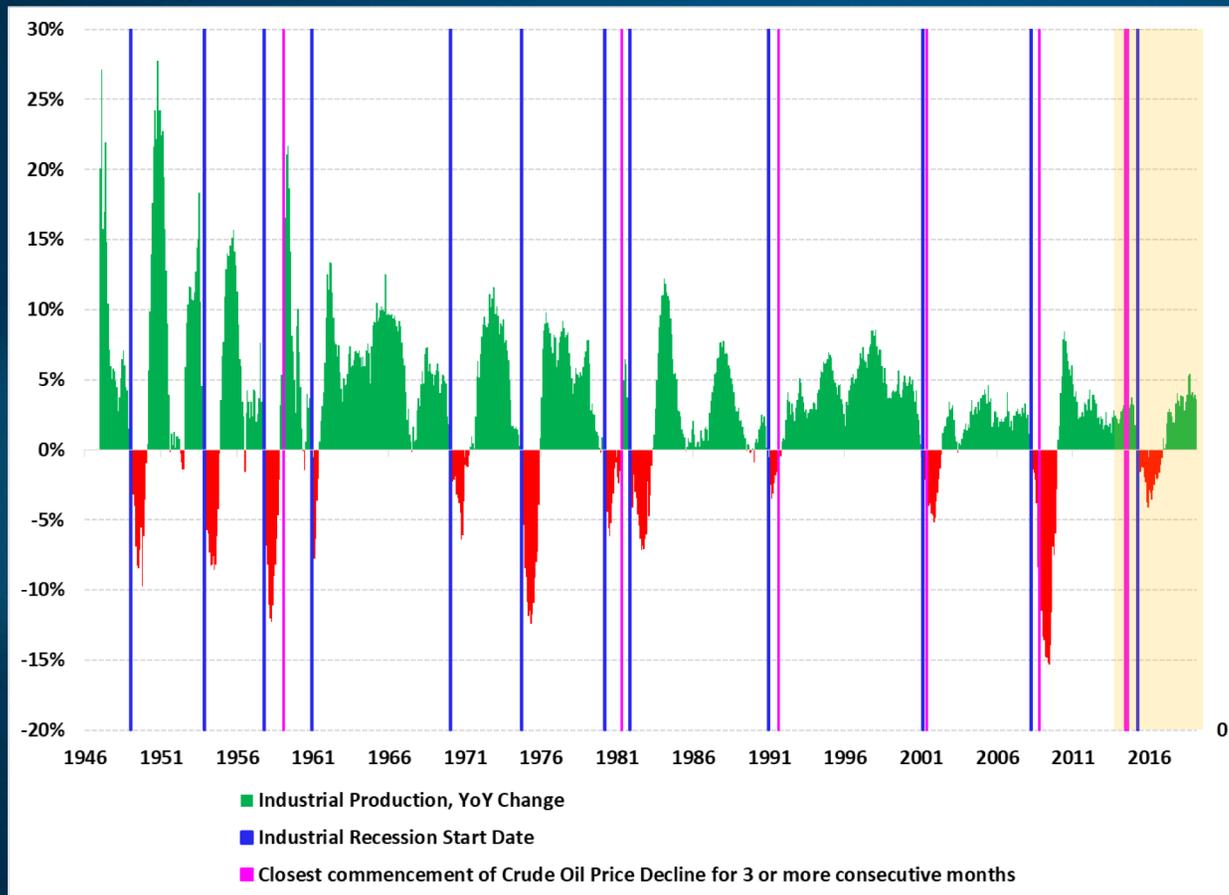
## Despite a Domestic Oil Production Boom and Lower Reliance on Imports, the US Remains Deeply Interconnected With Global Oil Markets



- **Between 1986 and 2018, US crude oil import dependence fluctuated from nearly 70% in 2006 to 25% in 2018.**
- **Yet US domestic gasoline prices—the place where consumer wallets are most quickly and intensely impacted—remained just as sensitive to oil price movements.**
- **Even if the US can become a net exporter of crude oil—which is an uncertain prospect—it will nevertheless face the certainty of remaining tied into the global oil market, and thus exposed to price impacts of geopolitical events in the CENTCOM region.**

# Becoming a Shale-Based PetroPower Introduces New Political Dynamics For the US

## US Industrial Recession and Oil Price Declines—Is the Relationship Shifting?

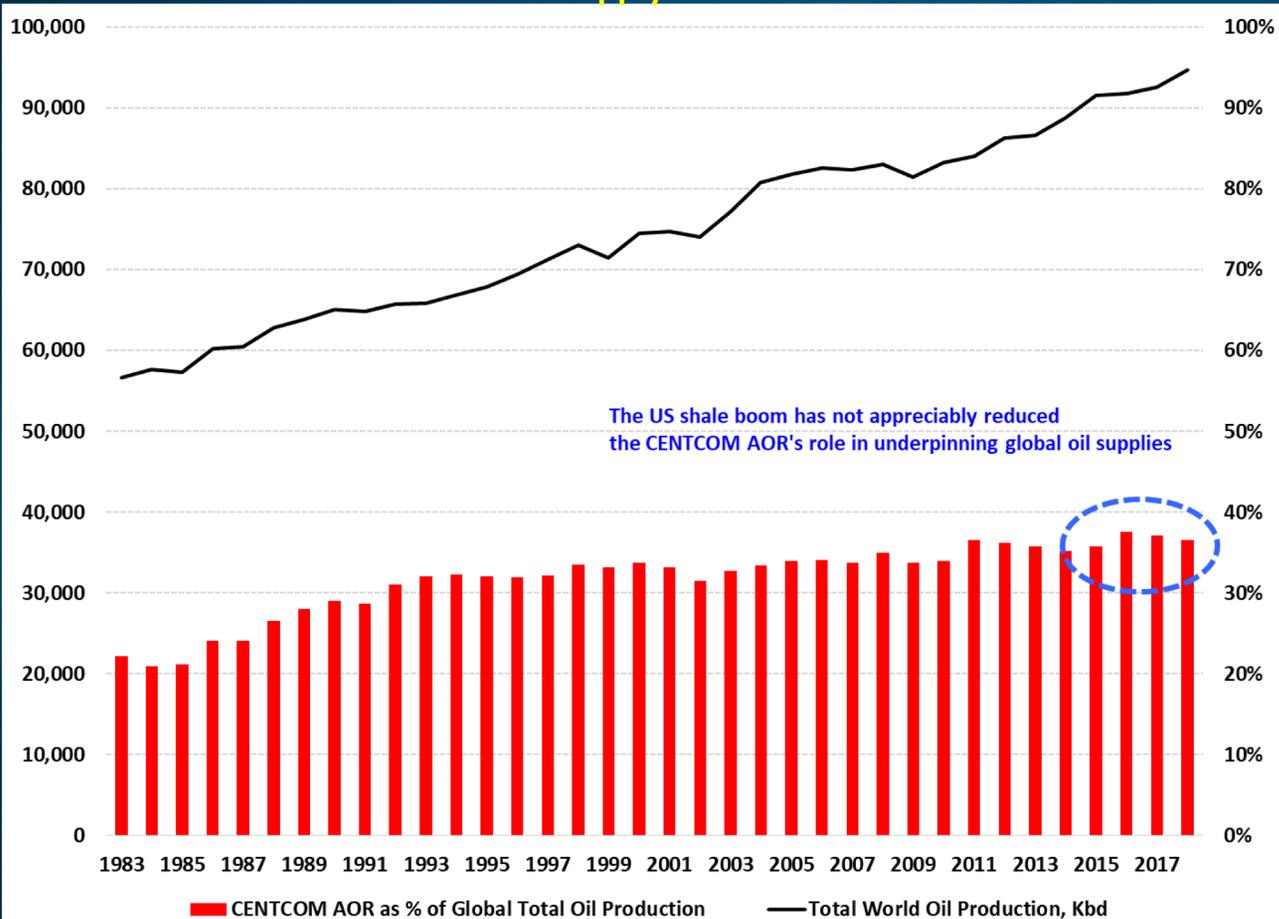


Source: EIA, Federal Reserve Bank of St. Louis, Author's Analysis

- One economic cycle does not make a trend. But nonetheless, the timing shift in the relationship between the latest major crude oil price decline and the subsequent movement in US industrial production certainly catches one's attention. Why? Because the shale boom may be creating a new paradigm for the US industrial economy
- Crude oil price declines may now actually depress aggregate industrial activity in the United States. If that proves to be the case, it would represent a profound departure from more than 70 years of prior economic history.
- This matters a lot because US economic policy will likely have to become more nuanced—it's no longer simply about hoping for low energy prices and affordable gasoline at the pump. If you're in the long shale value chain and lose your job, you might rather have higher oil (and gasoline) prices but still have the well-paying job you previously enjoyed.

# Producers in the CENTCOM AOR Underpin Global Oil Supplies

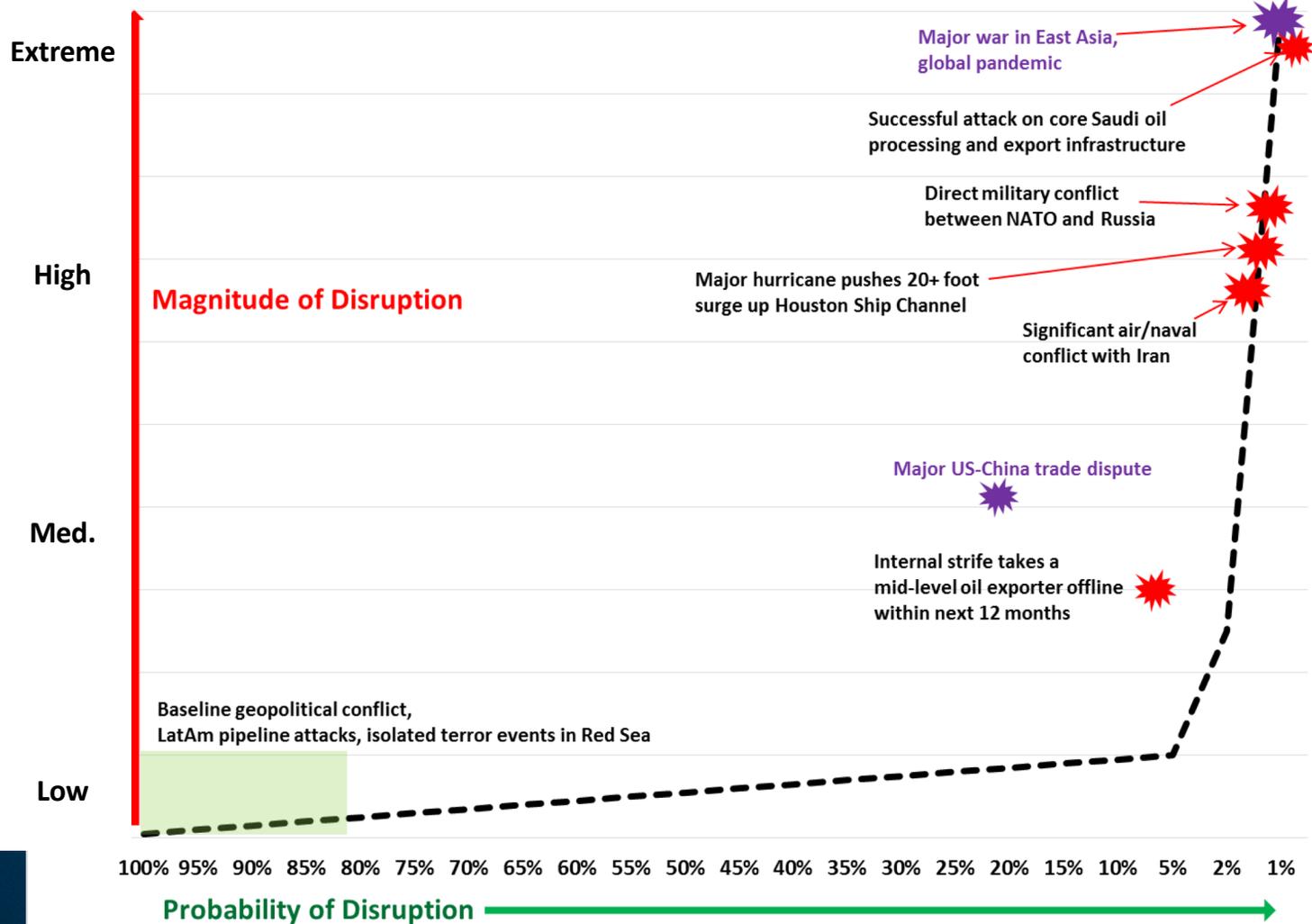
## CENTCOM As % of Total Global Oil Supply



- ▶ Over the past 25 years, the CENTCOM AOR has accounted for at least 30% of global oil supplies.
- ▶ Saudi Arabia alone has accounted for an average of 13% of global oil supplies during that time, making it the largest global supplier.
- ▶ An outage in the Kingdom would severely rattle the global economy.
- ▶ Despite recent focus on shale, long-cycle barrels remain vitally important to global oil supply security.
- ▶ Oil prices are influenced by factors outside US control (spare production capacity among major suppliers; rates of demand growth; inventories; geopolitics; natural disasters).
- ▶ Even full self-sufficiency in oil would not remove U.S. exposure to events in Middle East.
- ▶ An significant outage in the CENTCOM region/Middle East will influence US prices no matter where America's oil is sourced.

Source: BP Statistical Review of World Energy

# Thinking About Oil and Energy Security



Protecting assets against determined state adversaries is very difficult.

Policy solutions encompass multiple domains. Many of these potential threat events—particularly the highest impact ones—are best resolved through proactive diplomacy and passive resilience measures. Energy security is inherently a multi-national enterprise that involves a broad range of commercial and governmental actors.

# It's Not Just the Oil Markets That Have Changed

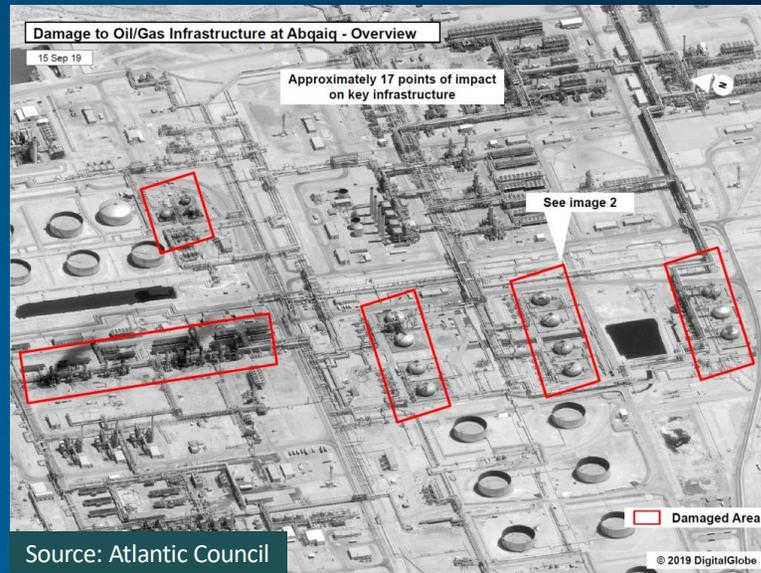
Mobile Sea Base Hercules, Operation Prime Chance, December 1988



Photographer's Mate 1st Class Smith - DoD DVIC ID: DNST8908773

***Potential adversaries' capabilities have improved dramatically since the last major round of specifically energy-focused security operations in the Gulf Region***

Abqaiq Oil Processing Facility, September 2019



Source: Atlantic Council



Source: VOA

Reuters

# These Shifts Make Tradeoff Decisions Much Tougher

## Credible Defenses Against “Baseline” Non-State Threats to Oil Shipping



Source: Piracy Report

## Credible Defenses Against “Enhanced” Non-State Threats to Oil Shipping



Source: USNI (USS Mason, DDG 87)

## Credible Defenses Against Abqaiq-Style Attacks



Source: USNI (USS Mason, DDG 87)



Source: US Navy



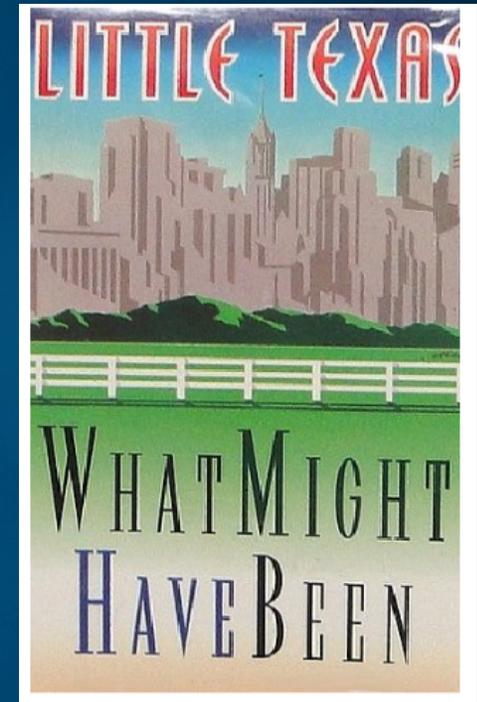
Source: USAF



Source: WSJ

# What Might Have Been...And What Could Be

- Expenditures of blood and treasure in a complex, geographically remote region can be tough to justify to the American public when the measuring stick is, in effect, “what didn’t happen.”
- Or...perhaps a beefed up presence deters what could otherwise become an “Abqaiq-plus attack.”
  - Imagine if the launching party in a future event decides to target the storage tanks and the Ras al-Tanura loading facility?
  - Imagine if the attacker did a “double tap” strike with a follow up once damage control and repair efforts began? There is a degree of nuance here—if a subsequent wave (or waves) of missiles landed just outside facility boundaries, this would be enormously disruptive. Aramco employees and first responders would likely keep working. But what about critical foreign contractors repairing spheroidal separators and other unique, sometimes single-source parts? Would they stay on the job under fire?



Source: Amazon

# Strategic Rationale vs. Opportunity Costs

## Benefits

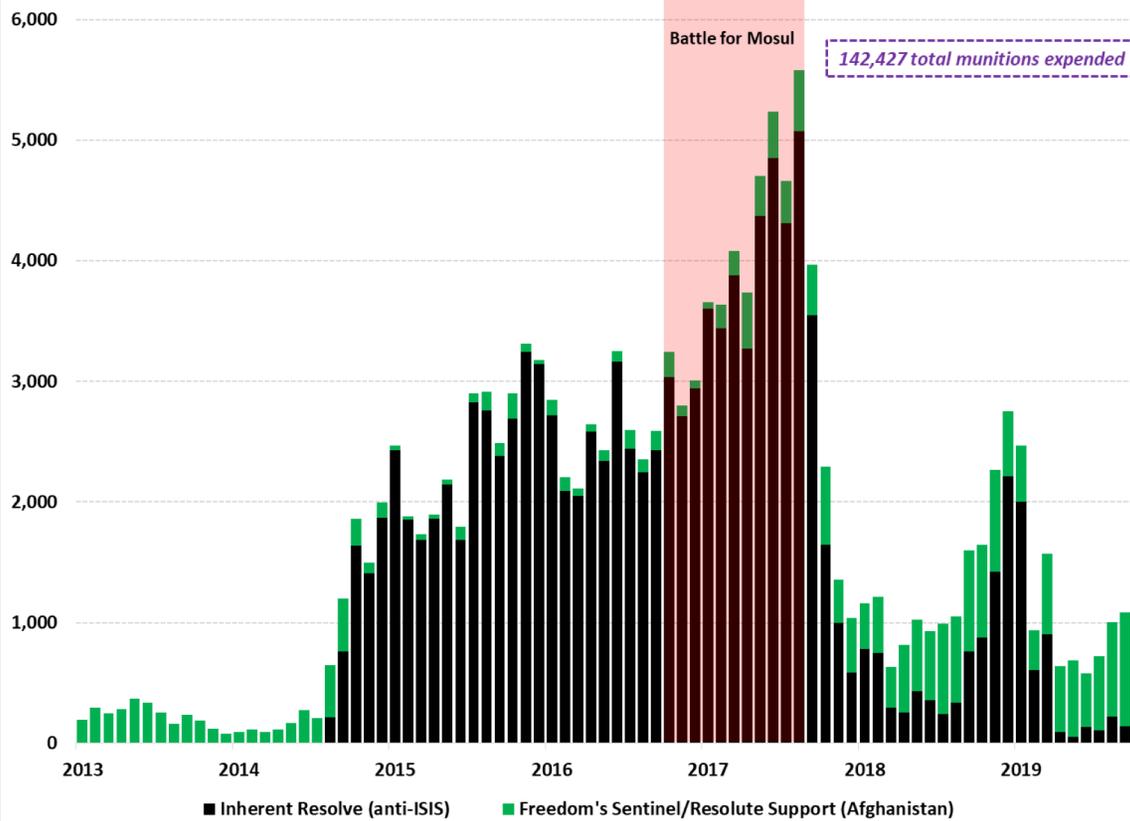
- Pre-empt security challenges by deterring adversaries
- Enhance regional stability by re-assuring allies that we are a reliable shield
  - *Can this genie be put back in the bottle after Yemen war?*
- Underpin oil & gas export supply stability that ultimately benefits entire global economy

## Costs

- ❖ Impacts on training and operational focus
  - ❖ Contingencies and ideal force structures very different
  - ❖ Wear and tear on personnel and morale
- ❖ Diplomatic and local political impacts of US forward deployments
  - ❖ CENTCOM forward deployments are generally much more politically sensitive for host countries
- ❖ Spreading forces between Gulf, East Asia, and European area reduces US forces' ability to keep assets armed, fueled, and near the fight, especially in higher-intensity combat scenarios
  - ❖ This likely makes our "dissuade and deter" posture less effective
- ❖ Platform wear & tear
  - ❖ B-1B
  - ❖ Surface combatants
  - ❖ Etc.

# Even "Lower Intensity" Operations Still Exact a Toll in Materiel, Human Capacity, and Platform Wear

## Aerial Weapons Releases Reported by CENTCOM, 2013-2019 (Through September)



Source: CENTCOM (weapons releases), Midland Reporter-Telegram (B-1B image)

116TH CONGRESS } HOUSE OF REPRESENTATIVES } REPORT  
1st Session } } 116-120

NATIONAL DEFENSE AUTHORIZATION ACT  
FOR FISCAL YEAR 2020

REPORT  
OF THE  
COMMITTEE ON ARMED SERVICES  
HOUSE OF REPRESENTATIVES  
ON  
H.R. 2500  
together with  
ADDITIONAL AND DISSENTING VIEWS  
(Including cost estimate of the Congressional Budget Office)

*B-1 readiness recovery plan*

The committee notes that the nation's ability to meet its long range precision strike requirements may be placed at increased risk by aging structural problems with the B-1 bomber aircraft. The committee is concerned B-1 readiness does not have the priority and resources to improve B-1 mission capable rates. This is evidenced by fully mission capable aircraft currently in single digit and aircrew being rerouted from flying the B-1 to other aircraft due to lack of B-1 aircraft for training.

Therefore, the committee directs the Secretary of the Air Force to provide a briefing to the House Committee on Armed Services not later than March 1, 2020, on the Air Force's current plans to increase the readiness of the B-1 that shall include the following elements:

- (1) aircraft structural issues;
- (2) plan for continued structural deficiency data analysis and testing;
- (3) projected repair timelines; and
- (4) future mitigation strategies.

# Future Policy Priorities

## 1. Tying means to ends

- A. US—and allied—combat power are fungible but finite.
- B. What are US core competencies?
- C. What about our allies and partners?
- D. Where do we most effectively backfill for each other? And where do our interests align and diverge?

## 2. Considering new regional approaches that better foster security over long term

- A. Prime example—relationship with Iran in the Gulf region. US is unique as a large power external player in the Gulf region because we have explicitly chosen sides in the conflict between multiple Arab states and Iran. There is a 40-year history here. What is the best path moving forward? If a core US national interest is secure energy flows, future détente with Tehran could greatly facilitate achieving the objective. But what happens on counter-terror and hostage fronts and what are the potential consequences for our regional relationships? Did the JCPOA entry process already effectively cause lasting alienation and weakening of regional allies' trust in the US? If so, perhaps the upfront diplomatic costs of détente with Iran are lower than commonly thought. And finally, how many years could a thawing process take and is it even possible with Iran's current clerical governance structure?

## 3. Situating the Gulf and CENTCOM region within the broader US global portfolio of security interests

- A. Will the US adopt a more confrontational approach toward China? Will there be a call for additional hard power assets from EUCOM in light of Russian threats?
- B. What approaches will we emphasize and what *should* we emphasize?

**Thank you!**

## Additional Reading

- 1) Gabriel Collins, "Shale is Not Forever: Why America Should Continue Protecting Gulf Oil and Gas Flows," The National Interest, 8 July 2019, <https://nationalinterest.org/blog/middle-east-watch/shale-not-forever-why-america-should-continue-protecting-gulf-oil-and-gas>
- 2) Gabriel Collins, "The United States' Evolving Role in Asian Energy Security," Working Presentation, 13 June 2018, <https://www.bakerinstitute.org/research/united-states-evolving-role-asian-energy-security/>
- 3) Gabriel Collins, "A Maritime Oil Blockade Against China—Tactically Tempting but Strategically Flawed," Naval War College Review: 71.2 (Spring 2018), Article 6. Available at: <http://digital-commons.usnwc.edu/nwc-review/vol71/iss2/6> (peer reviewed)
- 4) Gabriel Collins, "Global Energy Shifts: What Naval Security Practitioners Should Know," Baker Institute Working Presentation, 5 March 2018, <https://www.bakerinstitute.org/media/files/files/f5ff0213/collins-global-energy-shifts-what-naval-security-practitioners-should-know.pdf>
- 5) Gabriel Collins, "Anti-Qatar Embargo Grinds Toward Strategic Failure," Issue brief no. 01.22.18., Baker Institute for Public Policy, <https://www.bakerinstitute.org/research/anti-qatar-embargo-grinds-toward-strategic-failure/>
- 6) Gabriel Collins and Jim Krane, "Carter Doctrine 3.0: Evolving U.S. Military Guarantees for Gulf Oil Security," Policy brief no. 04.27.17., Baker Institute for Public Policy, <https://www.bakerinstitute.org/research/carter-doctrine-30-evolving-us-military-guarantees-gulf-oil-security/>