



MACRO Voices

with hosts Erik Townsend and Patrick Ceresna

Dr. Anas Alhajji: What Do Saudi Arabia & Allies in OPEC+ Want from Accelerating the Unwinding of Voluntary Cuts?

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Erik: Joining me now is [Energy Outlook Advisors](#) managing partner, Dr. Anas Alhajji. Anas, it's great to get you back on the show. And very timely, because what we've had happen in the last several days is the group of eight OPEC+ voted to increase production that immediately resulted in the Western press basically going into overdrive saying, okay, look, this is war. What this means is OPEC+ is declaring a price war on US shale producers. We should basically hunker in for much lower prices. OPEC is going to try to drive the shale guys out of business, that's the only thing this could mean. You published a report on Saturday, just after the vote that was completely non consensus. You're on a completely different page than everybody else. And frankly, based on the tape action on Monday, it looks like you were – Monday and Tuesday – it looks like you may have already been proven right. So why did you have the out of consensus view? Why do you not think this is a price war? And what do you think is going on, going back to your Saturday report.

Anas: Erik, it is always a pleasure to be on MacroVoices, always. So, thank you very much for this opportunity. I would like to kind of take my time explaining this, because it is very clear that not only the media misunderstood what was going on, even analysts misunderstood what's going on. So, let's start with the fact that, especially for the audience who are not well versed in the oil business, that we have OPEC, which is the Organization of Petroleum Exporting Countries, which has 12 members. And then after 2016, the 10 other members joined them to form OPEC+, which include Russia and Kazakhstan. So, we have 12 members of OPEC, and then we have 10 other members. So, the total of OPEC+ is 22 and what happened here is, after the major increase in prices in 2022, prices start declining, inventory start building up. Demand growth starts weakening. They felt that they need to cut production to prevent a major increase in inventories. OPEC+ met and they did cut production, but few months later, they realized that was not enough. They needed to cut more. Just for context, they did cut twice, big time in 2008 during the recession. So in a sense, there is precedent about big cuts in the past. So when they met, they encountered the problem, many members of the 22 country coalition refused to cut. And the decisions in OPEC+ and previously in OPEC, are made by consensus, which means that any country can say no, and any country can have a veto power, so 8 of them decided to go for voluntary cuts, and they cut by 1.6 million barrels a day. Few months later, they found out that was not enough. Inventories continued to build, so they went for another cut, which was a

voluntary cuts of 2.2 million barrels a day on the condition that they will unwind those as soon as possible.

So, the conclusion here is this, we have OPEC, we have OPEC+ and we have the group of 8, which I call the V8, V for voluntary. So, we have those three groups. The V8 includes Saudi Arabia, include Russia, include Kazakhstan, include Kuwait, UAE, Oman and some other smaller members. But the idea here is we have those 3 groups, therefore the press that focused on OPEC+ cuts are wrong because it wasn't OPEC that cut, and it wasn't OPEC or OPEC+ that increased production. It was the group of 8, and we have three cuts. The first one is from OPEC+, and the other two cuts are from the group of 8. Now what happened is, they try to unwind the 2.2 million barrels a day quickly, and they couldn't, because the market was not supportive. So every time they met, they delayed the decision. And as you recall, they delayed four or five times. Finally, they said, that's it. We are going to unwind in October 2024. But by October 2024, they realized we have a presidential election in the United States in November. So they said, okay, let's delay for one more time until we figure out who is going to be the president. So, they delayed the decision until December. In December, they made the decision to unwind the 2.2 million barrels a day starting April 1, 2025, over a period of 18 months. So, it would be gradual increases over those periods. And they emphasized the idea that those countries that over produced in the previous year, they have to compensate for all the increase they made. So, the first fact here is, those who claim to be surprised by the decision to add production, it's nonsense, because they already said this in December, so it should not be a surprise. So, we came into April and they started and winding production, which the amount is about 140,000 barrels a day. If you look at the data right now, since already passed, we found out that the exports of OPEC+ declined. It did not go up. And the exports matter, because that's what the supply to the international market is. Then they shocked the market when they met and they said, okay, we are going to change our policy. We are going to triple the increase in May, so they are going to expedite the unwinding of production. That took everyone by surprise, and the question is, why? What happened? The problem at that time is the media picked up the first part of the story and ignored the second part of the story. The first part of the story, which was increasing or expediting the unwinding of the cuts, the second part of the story was, instead of spreading this return of production over 18 months, they stopped it completely. And they said, now we are instead of meeting twice a year, we are going to meet once every month, and we are going to decide in this meeting what to do the following month. So the media mentioned the first part of the increase in production, but they did not mention the second part, which means that they can literally stop all the increases or even cut. So here comes June, and the decision for June, all expectations in the market was that they are going to repeat what they've done in May, in June. And after they did it, and they agreed on Saturday that they will add 411,000 barrels a day in June, all of a sudden, we've seen many analysts are surprised, and they were predicting a doomsday. Well, if you go to their writings, and if you go back to their tweets and everything else, they were predicting this a month ago. What changed? They were predicting this.

So, the issue here is this. First of all, the increase was 140,000 in April, 411,000 in May, and on top of that, 411,000 in June. So, we are talking about an increase of 950,000 barrels a day.

Now, you might tell me, well, this is a significant amount, and it will lower prices. And our reply said, no, it should not lower prices, because that oil already exists in the market. That oil was the overproduction the 300,000 of Kazakhstan and the 400,000 of Iraq and the others. That oil is already in the market. All they did, basically, is raise the ceiling and legitimize the illegal oil. So, to answer your question, this is the first answer, that most of the oil is already in the market. There is no reason to panic, because it's not the new oil coming to the market. So that's number one. Number two, analysts missed the fact that in the oil producing countries, and if you recall from previous shows, we discussed this several times over the years, in the oil producing countries, in the summer, demand for oil increases substantially. We are not talking about the consuming countries, we are talking about the producing countries. We're talking about the Middle East and North Africa, for example, because the demand for cooling is very high, they demand large amount of electricity. And to provide that, they need to burn a lot of oil and power plants. And based on our estimate in the Arab world alone, that adds about 1.2 million barrels a day in the summer of demand. What that means is, whatever they are going to increase in term of production, some of it is going to be burned inside those countries, and whatever is going to be available to the world is very little.

So, aside from the fact, so number one, that most of that oil is already in the market. The second one is demand increases in the summer because of the heat in the summer. And if the summer is very hot, we might end up really bullish this summer, if the summer is really hot in Middle East and Asia. The third point is very interesting, and that was missed by everyone, the Hajj. The Hajj, the pilgrimage, the pilgrims, millions of Muslims from all around the world come to Saudi Arabia a certain time of the year to perform the Hajj. And when we talk about Hajj, we are talking this year, since Hajj basically is based on the lunar system – so we cannot talk about the solar calendar – but to use the Gregorian calendar, it corresponds to May and June. That's when those millions of people travel Saudi Arabia and they leave, and where the increases and where they expedited the production, May and June. So, what happened in Hajj? You have millions of people coming in, the demand for gasoline goes through the roof. The demand for diesel goes through the roof. The demand for jet fuel goes through the roof, and they have to provide electricity, 24/7, for two months for hundreds of thousands of hotel rooms with cooling because the area is very hot. So, the demand in Saudi Arabia, because of the Hajj, increases substantially. What that means is one, two, three. One, we are talking about the most of that oil is already in the market. And then whatever additions is going to go for the summer cooling in power plants, and the second one is going to go for Hajj so what is left? So that's why, on Saturday after the meeting, basically, we decided to publish this note telling people, look, you got to be very careful. This is really not bearish, the way you guys are looking at it.

Erik: And even on Tuesday afternoon, a couple of days into this, all of the mainstream reporting is still very bearish, and it's basically talking about a price war. So, you're saying that that OPEC is not flooding the market, as many analysts are claiming. They're not starting a price war, and they're not trying to intentionally force the US shale producers to be uncompetitive at lower prices.

Anas: Yes, let me address that last point, the last two points. Now, what we heard in the media was that the Saudi Arabia is trying to punish Kazakhstan and Iraq by increasing production and lowering prices. This is a complete nonsense, and it is illogical. Why it is illogical? Because Iraq and Kazakhstan have been asking the group to increase production so they can increase their production. And when the group agreed, those haters basically are saying, oh, now they are punishing them. How are they agreeing with them, they are trying to help them out, and now they are punishing them. So, this brings us to the second important point today, which is one of the main objectives of OPEC+ which was the main objective of OPEC before that is OPEC unity. OPEC cohesiveness is extremely important to the Saudis and everyone else. So, we ended up with this situation. We have the unity, we have the cohesiveness, and then we have the reputation. OPEC+ without a reputation is nothing if people do not believe them. Whatever they do, it doesn't matter anymore. So, we were coming into a situation where OPEC+ would lose credibility completely, and therefore it will be completely ineffective, and there is no way you can rescue it. Why? Because if Kazakhstan continue to increase production, and they continue meeting and asking them to compensate, and they will keep promising that they will compensate. Then mathematically speaking, there will be a day when the compensation itself is higher than Kazakhstan production, and we know that's going to be impossible for Pakistan to hold production or reduce significantly, and at that time, no one will believe OPEC+ at all. So, one way to work around this is to increase the ceiling, and this will comprehend all the increase in production in Iraq, Kazakhstan, the UAE and probably Russia in the future, and then there will be a gap, the gap between the ceiling and the actual production. And they will take that as this is kind of paper barrels, and they will start claiming the overproduction in the past against this gap, and therefore OPEC achieves what it wanted, or OPEC+ achieves what it wanted, and those countries are in compliance.

Then the last thing in the media, basically, was that Saudi Arabia and its allies yielded to Trump demand, and they are under pressure from Trump to increase production and lower prices. This is another nonsense idea. First of all, we do have historical evidence, especially from 2018, that they did go against Trump. They did. So, the idea that, and people who do not know about diplomacy and other things, etc., basically, they can say these things, but those who know, they understand it's not like they are picturing it as Trump just picking up the phone, calling MBS and tell him, increase production. This is a complete nonsense. It does not happen that way. So, what happened? President Trump is going to be in Saudi Arabia in about 7, 8 days, I think, on the 13th, and he's going to visit the UAE, and he's going to visit Qatar. UAE, of course, is an OPEC member, and from the Saudi point of view and everyone else here, we have the leader of the world coming to our countries to discuss serious issues. And I want to discuss Gaza war. I want to discuss the Houthis in Yemen. I want to discuss Iran and its problems. I want to talk about the war in Sudan. I want to talk about the future, future of Syria and the future of Lebanon. I want to talk about terrorism and other things. I want to sign contracts with the United States to get a nuclear power in certain to Saudi Arabia. I don't want oil to ruin it. I don't want Trump to come in and start spending the time talking about oil. So, their objective basically is literally to sideline oil, to literally de-politicize oil by doing what they've done. So, Trump has no way, he's going to bring up oil right now. They increase production substantially. Prices are low. There is

no reason for any member of Trump's team to bring up oil in those discussions. The focus will be Gaza, Iran, Houthis, etc.

Erik: And are you saying that was the intention of this action by the Saudis? Is that they wanted to pave a way to clean meetings. So they just said, look, let's get oil off the table?

Anas: Getting off what I'm saying here is two things. First of all, the idea that they want to be nice to Trump and Trump is telling them to lower prices and increase production is nonsense. It is in their interest on their own, to achieve their own goals and maximize their benefits by sideline, by putting oil on the side. So, it's not a Trump request, as much as it is in their own interest. That's number one. Number two, this has been the Saudi policy for a very long time. They've done it with China. They've done it with India. Both the president of China and the Prime Minister of India visited Saudi Arabia, and they literally did exactly the same. They said, we are not going to discuss oil. Oil is out of the question. So, there is a long history there about putting oil on the side. The problem is, they cannot control the Trump and what he's going to talk about. So, the only way you can affect Trump is to make it a non-issue. So now what we talked about, basically, is we talked about the justification for the increases, the justification – and I haven't talked about the increase in demand because of other reasons, because I mentioned increase in domestic demand during the summer, increase in domestic demand in Saudi Arabia because of Hajj – but when they made the decision in their press release, in the first press release, they said, we did it because of fundamentals. And then the second press release, they said because of low inventories. Now, many people basically laughed at that. But in reality, if you want to take them to court and say, well, can you prove it? Yes, they were absolutely correct. The first time, based on fundamentals, the fundamentals support them. The second one on inventories. Yes, inventories are down. And why? Because when they unwound the production, they put two conditions. They cannot talk about prices. So, since 2016, the lawyers told them avoid talking about prices, because you don't want to have problems in the United States with The Sherman Act. So, they don't talk about prices.

So, they put two conditions. The first condition is the major decline in inventories. And the second condition is large increase in demand. On the first one, everyone knows that inventories are very low, so they achieve that on the large increase in demand. This is debatable, but among all the forecasts, OPEC remains the most optimistic about growth in oil demand. But this is really not the big story. The big story is we are not talking about OPEC. We are not talking about OPEC+. We are talking about the V8 or the Group of Eight. The Group of Eight did see increase in for oil, for their own oil. How? Because the additional sanctions on Russia and Iran and Venezuela scared some companies in China, India and other places. So those scared companies, they were afraid that this is serious, although it's not, but they did not know. So, they've been calling the Saudis and the Kuwaitis and everyone else. They said, we need more shipments. So, they did see increase in demand. And then we ended up with a situation, kind of very strange situation, where President Trump, all of a sudden, said, we are going to impose tariffs on countries importing Venezuelan oil. That was very effective. And I will explain why it was very effective in a minute. It was very effective. Venezuela's exports declined by 26% and China and India stopped importing from Venezuela. Now they are looking for alternatives. When they look for alternatives, where are they going to go? They are going to go to the Saudis, they

are going to go to the Kuwaitis, they are going to the Russians and everyone else. So, they did see increase in demand, regardless of our views, whether demand was strong or not, or we have demand growth or not, globally. But for their own oil, they did see increase in demand, but they knew that the tariffs and all the confusion that is caused by President Trump policies and the change in the goal post every hour and every day, they knew this is going to affect economic growth, and therefore is going to affect demand. That's why they chose to meet monthly to assess the situation, knowing that this increase in demand is temporary. The increase in the summer demand is temporary. The increase in demand because of Hajj is temporary, and therefore they have to worry about the future demand.

So our expectation right now, Erik, probably you will like what I'm saying right now, is that once the visit of President Trump is over and there is more clarity by next month about various things, here comes the meeting for in June, for July. The expectation is that they will reduce the increase, so they will revert to the 140 they increased in April, so it's not going to be the 411. And there was a report from Reuters talking about them, about the V8 increasing production every month by 411,000 until October. I was told from multiple sources that this is fake news. They never met. They never discussed it. There was no discussion. They don't know. My expectation is that whoever came up with this, he just took the remaining 2.2 amount and divided by 411 and they ended up with October. That's it. But there were no discussions among the group on July and the period after that. So, our expectations that they will revert to 140, they want to get rid of that compensation. Because compensation became a cancer, a cancer that is growing every day, that's going to destroy the reputation of OPEC+, and they want to get rid of it as soon as possible. And they can manage this through 140 and that will be by July, it will be more than a million barrels addition that should cover Kazakhstan and Iraq editions, and there should not be any problems in the market. Okay,

Erik: I've got the message, but the one piece that's sort of missing in my mind is, okay, are we about to enter an armed conflict between the United States and Iran? And if so, could it be that, what we're doing here is essentially priming the pump for a shortage that might be coming up? What's the outlook? What do you think is going to happen next with the Iran risks?

Anas: Yes, just before we started the show, the news came out of a major Indian attack on Pakistan, which is, I think, one of the most, it's more serious than the invasion of Ukraine, by the way. This is big, and this, by itself, is going to keep the US busy big time. And Iran is not going to be an issue at all if there is a war between Pakistan and India, because if we have a war between Pakistan and India, and then we have another war next to Pakistan and Iran. I mean, this is World War III, that's what it is. So I don't think...

Erik: Pakistan and India are both nuclear states, correct?

Anas: Correct. So, I do not think that the US will attack Iran. They might resort to various types of sanctions that are usually ineffective. But we got an announcement today from the foreign minister saying that they already scheduled the meeting, which means that there is a

breakthrough in the negotiations where they are going to meet again. So, I don't think there will be an attack on Iran.

Erik: Anas, I want to go back to the election and two predictions that you made immediately after President Trump was elected. The first was lower oil prices. You thought President Trump was going to want lower oil prices. It would be bearish for oil prices. You've clearly been proven right on that, so congratulations on the call. But the second call wasn't so obvious to me. You said also that President Trump's election was bearish for US oil production. Now that doesn't make sense to me, because if anything has ever been bearish for US oil production, it was the Obama administration, I mean, literally making a sport out of trying to sabotage the oil industry. It seems to me that all that President Trump had to do was just not be an antagonist, and that, by itself, should have increased US production. So why is it that you're bearish on US production as a result of President Trump being elected? And what's the outlook here?

Anas: We have several issues. I'm going to talk about them one by one. First of all, because he wanted lower prices. That's, by itself, is a big problem for all US oil production, not only shale, including offshore. So that desire for low oil prices is a big problem. But regardless, we have a serious problem with his promises of increasing production substantially, whether it was Trump or others, it will be the same. Which means that, assume that oil prices go up to \$85 tomorrow, and they stay at \$85 for the rest of the year. Still, US production cannot increase substantially. And here are the reasons. The number one, when we had the growth during the first Trump term, it started with interest rate as zero in 2015 even after the increase in interest rates in 2017, again, this is during Trump's first term. Interest rates today are three times that low, and we all know that shale grew because of free money, and that's not the case today. So that's number one, interest rate. The second problem, if the structure of the industry changed substantially in the last 10 years, earlier, as you know, my background was in private equity, and private equity, literally, I mean, we're talking about shale and everything else in the oil industry in North America. The model, when shale started with smaller, small companies and medium size, the majors, the oil majors, came in late to the show. So those small companies, basically the way they grew was, you go, you get money from private equity or from a bank, and your job is literally to drill, baby drill, increase production, increase reserves, and then you sell your company to the bigger whale or bigger fish, and then you start a new one, and you repeat that, and you repeat that, and you repeat that. Cash flow does not matter. That's why a lot of people miss the idea about shale, because they said, well, all of them are losing money because cash flow. Cash flow was negative, yes, but when they put \$200 million into the company and they sold it for \$1.5 billion, you did not see that \$1.3 billion that they made because they already sold it. And you did not see the money they made. All you saw, basically, the recorded negative cash flow. But the model was 'drill, baby, drill.' That's the only way you make your money. You make your money by selling your company, and then you take the money and start a new one, and you sell again and again and again.

Now, most of the shale basically is controlled by the big companies, by the oil majors, so the model is no longer there. So, between no interest rate, lack of funding and the model change, we are not going to see that 'drill, baby drill,' like before. So that's number two. Number three,

as everyone knows, decline rates in shale are very high. So, if you look at conventional wells, the decline rates are between 3% to 6%. The decline rates in shale is 40% to 70%. So if you look at the amount of oil we need to replace every month, today, it's about 600,000 to 700,000 barrels a day every month. If you add that on yearly basis, you have to multiply that, but by 12. So, we are talking about millions of barrels that we need to replace every year just to keep production flat, which means most of the investment will go just to keep production flat. Little investment will go to growth. So of course, we have other factors too, but these are the main factors that will prevent anyone, not only Trump, any other president, from increasing production substantially as we reached record high in terms of production, the replacement, because of the declines, is also record high. So, we have a massive amount of investment that will go to replacement, and we have the change in the model, and then we have the higher interest rate. We are not going to go anywhere. Now, when it comes to Trump, he wanted low prices, and prices are low, and this is not going to help either. So that's why we are not going to see this increase in production. That does not mean, by the way, we are going to have a major decline. I think I tweeted earlier today, it is very strange that the same people who predicted that Russian oil production would decline by 3 to 5 million barrels a day, they are exactly the same people who are predicting that shale will decline by 2 to 3 million barrels a day.

Erik: Well, Anas, doesn't this up end a conversation that you and I have been having for at least five years now, which is, we've talked about the global spare capacity issue, where, you know, it's not like the old days, where OPEC had plenty of spare capacity. Most of the OPEC countries are already producing at capacity. There are only three or four countries within OPEC that have significant spare capacity. And we talk about, boy, does that mean, at some point, you know, we're headed for the next major oil price crisis, \$250 oils coming next. And the answer was always no, because US production is kicking ass. We're seeing so much growth of US production that it's compensating for everything else, declines in the Middle East, shale declines, whatever. They're making more new shale wells so quickly that all the other stuff didn't matter. It sounds like you're saying the US shale boom has finally played out, and it's not completely over yet, but the ability to make up for declines in the rest of the world is ending now, is that right?

Anas: That's absolutely correct, but let's remember the following, that's big news. That's a big deal. It is. But let's remember the following, although if you look at the last 15 years, sub salt in Brazil was not there, Guyana was not there. And now, in the future, Namibia basically, was not there. And now we might end up with something big in Namibia. So, it's not going to be the United States, probably it's going to be somewhere else. So, we will see how that's going to play. But you are absolutely correct. If we are not going to find the replacement, then we are going to see a major problem. But before this happens, and as we discussed before, my issue is not the lack of spare capacity, but by the time we are going to consume everything we have around the world, and demand will outstrip the available capacity, we are going to have a bigger problem. And the bigger problem is the failure of some of the green policies are increasing the demand for oil, natural gas and coal above all expectations. So, we are going to see a rise in prices even before we reach that point of demand outstripping the capacity that exists. And you

can see it all around the world. The retreat from climate change policies is all over from government and companies, etc., just all over the place.

The third point is really kind of striking. I mentioned earlier that I would like to talk about Venezuela a little bit because it is related to the discussion, and I want to clear up a point that is important. President Trump threatened that he will impose tariffs and sanctions on countries that import Iranian oil. And the reason why he said this, because sanctions, as we predicted long time ago, do not work. So it is in direct admission that all those sanctions on Iran did not work, and therefore we need to impose sanctions on the countries that import the Iranian oil. But they did it after they saw the success in Venezuela, but they missed a very important point with Iran. It was very clear from the beginning what the Chinese did. The Chinese government asked all its oil majors who are listed in the stock exchanges of all the European countries and in the United States, who deal with US and European banks who operate in more than 40 countries, told them, look, don't mess with the sanctions. So, stop importing Iranian oil directly. And they forced them to do that. So they stopped. And then they asked the companies, mostly they are the teapot refiners and others. Some of them are shell companies. Since you have no presence in the West, and you have no presence in the US or anywhere else, and they cannot punish you. You go to Iran, get me that oil, bring it to China, and then sell it to the oil majors. And they built a system around this. And then they built another system for the oil majors, where they can use other countries, a third country, like Malaysia, for example, where the ships will go to the waters of Malaysia, and then there will be ship to ship transfer, and then the oil majors can get it and claim 'I did not get it from Iran. It was sold to me as a Malaysian oil.' And the joke always among analysts is that the exports of Malaysia are larger than its production.

In case of Venezuela, is different. What happened in Venezuela is those oil measures of India and China already got authorization from the Biden administration to operate in Venezuela and ship the Venezuelan oil. So, they don't have the same system they have with Iran. So, when suddenly President Trump imposed those tariffs, then those companies got stuck, because they operate in the United States, Trump can get back at them at any moment, so they get information from their government, stop importing from Venezuela. What does that mean is, you retreat, we will send other companies to buy the Venezuelan oil. From experience, we studied this, it takes about six weeks to three months for that replacement, and then we end up with shipping the Venezuelan oil the same way the Iranian oil is shipped. By the way, the reason why President Trump imposed the tariffs on the importers of the Venezuelan oil, because he had two cards, two strong cards against China in his hand, LNG and oil. And he woke up one morning and he found out that China is not importing any LNG or any oil from the United States. And he lost the two cards, and the only replacement was to punish China in Venezuela. Is that important? Absolutely, yes. And if you recall, we talked about this several times in the past. Crude quality, the Venezuelan oil is heavy crude. So, some people may say, well, Venezuela does not matter because they export only 900,000, while oil demand is 104 million barrels a day. That's nonsense, because that's 900,000 is heavy crude, and you have to count that out of the heavy crude market, not of the total oil liquids in the market. So, what happened is, when Trump imposed those sanctions in the fourth quarter of 2018, we were able to find the replacement easily by importing Maya crude from Mexico, and then President Biden gave the

exemption to Chevron, and Trump came in and extended that. So, we started importing about 300,000 barrels a day of heavy crude from Venezuela. And now, if we stop this, President Trump extended the authorization until May 27 I believe, and we will see whether he's going to extend it or not. I think he will extend it. He has no choice. But if he does not extend it, how we are going to replace those 300,000 barrels of heavy crude? Remember the following, China is looking for replacement already. India is looking for replacement already, for the same crude, and the US will be looking for the same crude. Where can we find this crude? Colombia? Yes, but we already have some militias basically bombing the pipelines in Colombia. Peru or Ecuador? Well, they have mudslides, and some of the pipelines are not operational anymore. So, where we are going to go? Canada, but we already have so many problems with Canada right now. So, what to do? And one of the ironies that in 2002, in April, 2002, when we lost the Venezuelan oil because of the pedestrian strike and then the coup against Chavez, and US refiners lost the heavy crude, and they started looking for replacement. And if you look at the world map and plot the replacement, it is just amazing. Just amazing. So, imagine you have the whole map in front of you, and you have a raindrop in the Gulf of Mexico. And you know how when you have raindrop in the water, how those circles form? That's exactly what happened. They kept extending their circles and buying and buying. And finally, they got heavy crude from Syria. Is this important? Well, Trump is going to Saudi Arabia in seven, eight days. He is going to meet the new Syrian president. So that's why I love energy, is the interaction between politics, economics and everything else, just amazing. But the idea here is, when it comes to this heavy crude issue, it is a big, big issue, and that's why we've seen the differentials between heavy and light basically shrinking, because of this. The bottom line is, we need the Venezuelan crude, and it would be very tough if President Trump does not extend the Chevron authorization. It will be very tough for us to find a replacement.

Erik: Before we close, I just want to go back to the really high level, longer term outlook that you have. Because, going back a few years, you and I would talk about a very bullish, long and medium term view that you had for both oil and LNG, and then as we got into the Ukraine crisis and so forth, you kind of backed off of that and said, okay, look, the world is changing. Now is not the time. Still bullish in the long term, but it's kind of on hold for a couple of years. Are we coming off of hold now? It sounds like we are.

Anas: The problem we have, and let me kind of be very clear on this, when we made those forecasts, we were assuming that global economic growth will be about 4.6% like the historical average, and all of a sudden, COVID comes in, and everything collapses. And then we have the recovery. And the recovery lasted only for a short period of time, and then everything tanked. You look at US growth, even in the last quarter, you see what happened. You look at Europe, you look at China. China basically was not even in the picture when we were looking at slow economic growth. I know a lot of people were talking about real estate and the collapse, but that's been going on for 25 years. So, the slowdown in China was a big surprise for us. So, everything is on hold. Everything got delayed. But the thesis has not changed, especially for the LNG. The LNG story is really a big, big story. Just to give example to the audience here, all of a sudden, three countries, they were not in the picture at all. They were not in any alcove. Period. Now, they started importing LNG. Ukraine was not on anyone's book. And Syria was not even

there. And Iraq, no one believed that Iraq will be importing LNG. And now, basically, we might end up with Morocco being added to the list. So, you have those four countries that they were not even anywhere in the demand outlook. And then you look at Egypt. Egypt was an exporter of LNG, and all of a sudden, now they are a big importer, and we expect their imports basically to increase year over year. By the way, speaking of Egypt, there was a story that we talked about this morning, and we are going to publish it later. We published it in Arabic, but we will publish it in English later on. Shell basically operate an LNG plant in Egypt, and they were able to get some gas and have an LNG shipment. So this is near the Suez Canal on the Mediterranean, near Alexandria, and the buyer is Taiwan. So logically speaking, if you want to export that from Alexandria to Taiwan, you go through the Suez Canal, through the Red Sea. It did not. The carrier, literally, is going now, as we speak, around Africa. I mean, it's adding, like, I don't know, 5000 miles to it, or 5000 kilometers to the trip, and not going through the Suez Canal and not going through the Red Sea. So, the question here for people to think, I'm not going to discuss it today, but this is for the audience. Explain this. Why Russia include the Urals, all of it go to Asia through the Suez Canal and the Red Sea, and the Russians have no problem with the Houthis. Yet Russia cannot send a single LNG tanker through the Red Sea. Qatar was accused of supporting the Houthis, so they have no problem with the Houthis, yet Qatar sends LNG to Europe, around Africa, and they couldn't send a single LNG tanker since January, 2024. Why? And here are more questions, why President Trump, all of a sudden, start talking about the Suez Canal, and he wants free passage in the Suez Canal

Erik: He wants free passage in both canals, I think.

Anas: Correct. But since we are talking about the Red Sea, that's why I brought it up there. By the way, on the on the Panama Canal, for the first time in history, we did not see this before we are seeing LNG, this is true story. You can see it in my timeline, on X. Chile imports LNG from the United States. A carrier will leave the Gulf of Mexico or Gulf of America right now, and will go around South America, completely around South America, and then go up to the terminal in Chile instead of going through the Panama Canal. At the same time, this tanker was going up north. Another tanker from Peru was going south, turning around South America and going to Europe. And the distance between the two countries just like few miles. They can trade with each other and everyone will be happy, and no one used the Panama Canal.

Erik: Anas, Iran's production and exports rose by a million barrels a day during Biden's term despite the sanctions that were imposed. Please explain how they achieved that and why Trump's stricter sanctions, at least I perceived them to be stricter, even with secondary sanctions and tariffs, you say are not going to work. Why not?

Anas: Sure. So, let's go to Biden's time. Biden came into the office with the promise that he wants to stop the sanctions of Trump and go back to the 2014 nuclear agreement that he and President Obama signed with Iran. So, he wanted to go back to that, and they wanted to negotiate with the Iranians in Vienna, but the only way they can negotiate with the Iranians if they really turn the blind eye to the sanctions. So, for the first year of Biden is in the office, they really ignored the sanctions on the hope that the Iranians will stay at the table, negotiate a deal

and end up with a deal. After almost 10 months, they reached dead end, and they found out that the Iranians are not serious. And by the way, this is a side point, the objective of the Iranians is just to hang around until they have the nuclear bomb. Period. Whatever the cost is, even if we lose, if they lose Syria and lose Lebanon, they lose Yemen, it doesn't matter. They want to wait for that bomb anyway. So, he wanted to reimpose or strengthen the sanctions, or enforce the sanctions on Iran. By the time he and his team were studying this, Putin goes to Ukraine, and all of a sudden, everyone is talking about sanctions on Russian oil and the loss of 3 to 5 million barrels a day. And then Biden got stuck. He said, I cannot impose or enforce the sanctions on Iran because I need the Iranian oil. At the same time, he wanted to release oil from the SPR. As you know, he released the 180 million barrels from the SPR. The Iranians were very smart. The Iranians already had 80 million in storage. They call it the floating storage. They literally organized this with the Biden administration, and they released oil along the SPR so the release was 180 plus 80. So that was a massive amount of oil. Then in the third year, when everything prices now declined, and the Iranians basically are misbehaving. He wanted to enforce the sanctions, but it was the campaign time for the re-election, and he does not want prices to be higher, so he literally turned the blind eye again to sanctions, and the Iranians were smart enough to increase production and exports. That's how it happened. But Trump comes in, he enforces the sanctions, and then he came up with the idea that they wanted Iranian exports to be zero, literally zero, which is a complete nonsense. Let me give you a couple of examples here. The government basically has been fighting tax cheaters for over 100 years, and we have more tax cheaters than ever. The government has been fighting the drug cartels for 50 years, spending billions of dollars every year, and they still smuggle the drugs to the United States. And we have more people on drugs than ever. If the United States cannot control the tax cheaters on its land and cannot control the drug trade on its land, it will control oil on someone else's land? So, the idea of zero is a complete nonsense.

But let's go back to the basics the Trump administration. When it imposed the sanctions on Iran in late 2018, Iran's production and exports declined substantially in 2019. And now they think they can repeat that. And what I'm saying is, no you cannot repeat that because the reasons that existed at that time no longer exist. One of those reasons that at that time, Iran was exporting to more than 20 countries, and after imposing the sanctions, some countries stopped importing from Iran. Others wanted to import from Iran, but they wanted to abide by the sanctions. The sanctions are not on oil imports, the sanctions are on payments to Iran, which means that you can import oil from Iran, but you cannot pay them for it. You have to open an escrow account and put it there with the money there, but you cannot give it to the Iranians. And the Iranians said, what the heck, I am going to spend money on producing this oil, and would spend money on ports, I'm going to spend money on shipping it, and then I get nothing, I am not going to export. So, part of it, basically, was the idea that we didn't want to export to those countries. The situation changed, because Iran has only one customer right now, China, and they have a payment system, which is the Chinese payment system. There are 20 countries that were subject to Biden's do not exist anymore, and China is not subject to Biden. So that's number one. Number two, one of the reasons for the decrease in exports at that time was they were exporting to 20 countries various types of crudes. When those 19 countries, let's say, did not import from Iran, Iran had this extra crude. And the Chinese refiners told them this quality of

crude I don't need. I cannot buy from you. And the Iranians told them, okay, what qualities you need? And the Chinese basically specified the qualities. The engineers went around. They found the fields that produce the same quality crude that the Chinese want, and they literally avoided this problem of crude quality, before. So, the payment system changed. It's one country instead of 20, the crude quality issue is no longer there. They perfected the system of smuggling this oil, so there is no reason for it to decrease. That's the story.

Erik: Well, Anas, as always, I can't thank you enough for another terrific interview. But before I let you go, I want to talk about a few topics that our listeners always bring up. One is speaking engagements. We get so many requests for where and when is Dr. Anas speaking, and I know most of your speaking engagements are for private audiences that that don't let the public in. Do you have any that are open to the public? If so, when are they? And also, where can people find out about the newsletter and the other things that you offer?

Anas: Sure, any public speaking basically is happening through spaces on Twitter or podcast. There is no actual speaking engagements. All my speaking engagements are private events and conferences that are private. And those who are interested in inviting me, they can go to my [website](#). There is a page there. They can fill out the information, and they will get a response immediately regarding this.

Erik: And as far as the newsletters on your Substack and so forth, you tell us what you offer, both for professional and for retail investors.

Anas: Yes, we have three different subscriptions. Basically, we have the newsletter that is intended for mostly high net worth individuals and institutional, and institutions. And it's in depth, just like the one, the report we published on Saturday. It's in-depth analysis, and that's the newsletter. And then we have the Daily Energy Report. [The Daily Energy Report](#) is a very unique concept, and we have a very large number of subscribers there. It's not that expensive. It's for mostly for individuals and firms and companies, but most of our members basically are individuals. And then we have the subscription [on X, on Twitter](#), we put some small stuff there. It's a very minimal subscription, basically just like \$10 a month or something like this. It's very minimal. But I put all the kind of differentiated research and work in the newsletter, [The Daily Energy Report](#) and the X subscription.

Erik: Patrick Ceresna and I will be back as MacroVoices continues right here, at [macrovoices.com](#).