

Marcellus Shale Update: From the Strait of Hormuz to the Port of Philadelphia - It's All One World

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Two attacks on oil tankers in the Strait of Hormuz have set the energy world, and the world at large, on edge. It also shows the folly of the unilateral energy disarmament being practiced on the West Coast and in New England, in the United States.

The Strait is the narrow channel between Iran and the Arab Gulf state of Oman through which 30% of the world's exported oil flows. As happened during the 1980's Iran-Iraq war, attacks on oil tankers are used as a political weapon to disrupt the world economy.

The first attack came on the Japanese-owned Kokuka Courageous. It was followed by an attack on the Norwegian-owned Front Altair. Both attacks happened near the Iranian naval base at Jask, both ships sent distress signals, and both crews had to be evacuated. Iran responded with conflicting accounts. It first said that it had rescued all of the crew of the Kokuka when it had not. Then it claimed that they, the Iranians, are responsible for security in the Strait.

The Trump Administration blamed the Iranians – who denied responsibility – and confusion reigned about whether torpedoes, mines or "flying objects" were responsible for the destruction. In response, the price of oil rose sharply and the Norwegian insurance company DNK, which insured the Front Altair, raised its threat assessment while saying Iran likely is to blame.

Reports since have been measured, with most nations believing Iran is responsible while others urging caution. While this shakes out, however, one name looms large and should be remembered by all – Qasem Soleimani - the Commander of the Iranian Revolutionary Guard Corps.

Soleimani, often considered the mastermind of Iranian military expansionism, has been the key figure in exporting Iranian power overseas. He is behind the drive to surround Israel with a "Ring of Fire" and to challenge Saudi Arabia for control over the Arabian Peninsula.

With Iran's economy reeling from the Trump Administration's sanctions, it likely was only a matter of time before Iran sent Soleimani into action. Last week, Iranian backed Houthi Rebels in Yemen fired a missile at the Saudi airport in Abha, wounding 26 and constituting a direct challenge to international aviation. Hamas operatives continued to lob fire balloons and rockets into Israel, bringing that area to the precipice of another military conflagration. Now the ship attacks.

If Iran is responsible, it is because the Mullahs are scared. Demonstrations broke out last year in many Iranian cities, showing the depth of antipathy toward theocratic rule. Unlike Venezuela, where the country's wealth is being squandered by an incompetent kleptocracy, much of Iran's natural treasure is being diverted from the people to finance military conflicts about which the average Iranian cares little.

Still, it would be foolish to imagine the regime is in immediate danger. The more likely scenario is a drawn out war of attrition with the potential of violent conflict erupting and spreading throughout the entire Middle East at any time. Under this world situation, the price and availability of energy becomes a weapon and will be even more volatile.

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Meanwhile, in the Marcellus region back home, the Delaware River Basin Commission last week approved an LNG export terminal in Gibbstown, New Jersey, across the river from Philadelphia. In addition, the Philadelphia City Council approved an LNG terminal on abandoned property in South Philadelphia. Neither the DRBC nor the Philadelphia City Council has been friendly toward the gas industry, but both seem to realize the importance of these actions both to the region and to the world at large.

From a geopolitical standpoint, the "keep it in the ground" movement makes this country less secure. Whether it makes the world more secure depends on what the alternatives are. Until that is clearly shown, we run the risk of making our country more dependent on foreign energy sources at a time of extreme international volatility. Before we do so, we all should understand the stakes. The issues are decidedly more complex and geopolitical than the locally oriented "keep it in the ground" movement would have us believe.