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The U.S. Can Control the 'World's Light Switch'

by Gordon G. Chang | March 2025

It's a "LNG and drilling free-for-all."[1] That's how the energy industry sees President Donald Trump's actions this Valentine's Day.

Trump on February 14 promised to open up more than 600 million offshore acres to oil and gas drilling, signed an executive order establishing the National Energy Dominance Council,[2] and said he was working on the Constitution natural gas pipeline between Pennsylvania and New York.[3]

In addition, Trump announced his administration had issued a liquefied natural gas export license to Commonwealth LNG for its Louisiana project, a 9.5 million metric ton per annum plant.[4] This was the first approval since the Biden administration instituted its "pause" in January 2024 on such facilities. Trump on his first day in office ended the controversial freeze,[5] and Commonwealth's plant is expected to send LNG to Europe and other locations by early 2029.

Other American projects are in the pipeline, but analysts worry that China can derail them by not buying American LNG. Bloomberg reported that importers in China are already offloading U.S. cargoes to other markets, especially Europe, where prices are higher.[6]

The reason? Beijing on February 3 slapped a 15% tariff on American LNG—it also imposed a 10% levy on U.S. crude oil—in retaliation for Trump's 10% fentanyl-related tariff on China, announced on the first of last month.

The diversion of shipments, many fear, is not the only effect. "Chinese firms are unlikely to sign new long-term contracts with proposed U.S. projects as long as trade tensions remain high," Bloomberg also reported. "This is bad news for those American exporters that need to lock in buyers before securing necessary financing to begin construction."[7]

A Reuters headline tells us that the "trade war" with China "Casts Dark Cloud" over new American LNG projects.[8] Bloomberg raises the prospect that "the world's biggest buyer and seller of the super-chilled fuel" will decouple.[9]

The fretting is overdone. For one thing, China took less than 6% of America's LNG exports last year.[10]

American export facilities, therefore, will be built, with or without Chinese buying support. Currently, according to Jonathan Bass of Argent LNG, there are seven operating LNG export terminals onshore in America. Six more are in construction, five have been permitted, and ten are under regulatory review.[11]

China is the world's biggest importer of LNG, and it cannot get along without the fuel. As a friend of mine told me last month, "You can't run a factory in Guangdong province when the lights are off." Because of this need, Bass suggests Beijing might secretly subsidize, with the tariffs it collects, its customers buying American LNG.[12]

In any event, global demand for the fuel will almost certainly outstrip supply. "Energy is the foundational brick of the global economy, and the United States has lots and lots of it," Bass pointed out in comments to me. "The world will come to us as there is, from a practical viewpoint, no other choice. Our gas is cleaner than any other gas in the world. We have the planet's most desirable molecules."[13]

And people will need those molecules. Energy giant Shell believes that global demand for LNG, driven in part by the desire for cleaner energy, will increase "by around 60% by 2040."[14]

Countries, including coal-rich China, will be scrambling for fuel, especially clean fossil fuels. Shell's forecast cites that country as one of the more important factors pushing LNG demand in coming years. Demand for energy will be so great that, as Bass predicts, future wars could be fought over electricity, "for control of the world's light switch."[15]

At this moment, some are concerned about America overproducing gas and overbuilding export terminals because of projected weak demand.[16]

But not everyone. Take the current occupant of the Oval Office, for instance. "In his first term, President Trump embraced a pro-energy policy to take advantage of recent advances in American oil and gas production," KT McFarland, deputy national security advisor then, told me. "American energy companies developed new engineering, mapping, and drilling techniques. We could now discover and extract abundant amounts of oil and natural gas cheaper, cleaner, faster, safer, and more reliably than other suppliers."

Trump not only understood that increased production made America energy independent, he also realized he had a tool to drive energy prices down and deprive bad actors of funds. "Lower prices meant Iran couldn't pay for proxy wars against Israel and Russia couldn't pay for war against Ukraine," McFarland pointed out, referring to the absence of these conflicts during Trump's first term. "Arab countries realized they couldn't count on high oil revenues to fund their budgets, so they sought peace with Israel and signed the Abraham Accords."[17]

Trump, with his emphasis on drilling and exporting, is implementing this strategy in his second term. On

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the first day back in office, the 47th president issued an executive order declaring a "national energy emergency."[18]

That declaration suggests Trump has a comprehensive strategy. In fact, Trump's strategy is Ronald Reagan's. Reagan worked with, in particular, Saudi Arabia to reduce commodity prices to starve the Soviet Union of revenue. "We can save the world again," said Bass, "but this time by flooding the planet with good ole American LNG: Imagine what would happen if Vladimir Putin and the ayatollahs in Tehran ran out of cash."[19]

Rep. Carlos Gimenez, the Florida Republican, wants to "make America the energy spigot of the world."[20] That's a great idea, because when Americans drill for profit, they also drill for freedom, peace, and stability.

Gimenez's goal is coming true. After all, the country is the "new Saudi Arabia," pumping more crude oil than any other country in history for seven years in a row.[21] Also, after U.S. gas production increased 50% in a decade,[22] America is now the world's top producer of natural gas. In 2023, the U.S. also became the world's leading exporter of LNG,[23] and it retained that title last year.[24]

America is not a "petrostate"—MIT's John Sterman calls the U.S. one[25]—but it is now able to influence outcomes abroad with energy sales. "President Donald Trump's high-stakes bid to use natural gas exports as leverage to expand U.S. influence in Europe and Asia appears to be gaining early traction," Bloomberg reports. "Government officials and energy executives from countries such as India, Kuwait, and Japan have been holding talks about procuring more U.S. gas, according to people with knowledge of the matter."[26] Include Bangladesh as moving into the American orbit. On January 24, the country signed a 20-year, 5 MTPA agreement with Bass's Argent LNG, an American company.

Energy will certainly shape the world. At the moment, it will determine the outcome of the war for Ukraine. On January 10, the U.S. Treasury Department imposed a broad range of measures targeting Russia's oil sales, especially the vessels of its "shadow" or "dark" fleet, the ships that lift sanctioned oil from Russia.[27]

Treasury hit 183 vessels, 143 of them tankers. The measures cover ships carrying an estimated 42% of Russia's seaborne oil exports, according to Kpler.[28] Lloyd's List reports the number could be as high as 50%.[29] The U.S. sanctions come after the United Kingdom and the European Union in December listed 90 ships. The Treasury punishments also apply to oil traders, charterers, and insurers.

The measures quickly disrupted the flow of Russian oil, with millions of barrels now left floating on tankers as few want to risk American enforcement actions. Purchasers are at this moment chasing oil from anywhere other than Russia. Middle East crude, therefore, is now in high demand as is oil from Angola and Brazil. Kazakhstan is benefiting too.[30]

In December 2022, the G7 imposed sanctions on Russian crude sold at a price above a $60-per-barrel cap. There is also a $100-per-barrel cap for refined oil.

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Oil is Russia's most important export product, and it is, according to former senior British military intelligence officer Philip Ingram, the "one thing" that permits Putin to continue the war. As Ingram, speaking to London's *Express*, noted last month, Western sanctions will eventually affect Russian agriculture and the broader society. "We could see the collapse of the Russian economy completely," he said. Ingram thinks that could happen as early as this year.[31]

Not everyone is so optimistic. "Biden's January 10th sanctions on Russia's shadow fleet of oil tankers may be effective at driving down Putin's oil revenues temporarily," Rebekah Koffler, former Defense Intelligence Agency analyst and author of *Putin's Playbook: Russia's Secret Plan to Defeat America*, told me. "In the long term, however, these revenues will likely recover. This is what had happened in the past, when we introduced oil price caps."[32]

In the past, neither America nor its partners were that serious in either imposing or enforcing sanctions. This could change, however. "NATO's Baltic Sea navies will enjoy chasing down the grey and black fleet tankers that are pirating oil to China and others from ports like Primorsk," says the Lexington Institute's Rebecca Grant. "Every year the U.S. and NATO run a maritime exercise called BALTOPS with 50 or more ships, so maybe now they can hunt for the 183 sanctioned vessels."[33]

Taking these vessels offline would be great, but it would be better hitting the purchasers of illicit oil. "The success of this sweeping action will in part be determined by Chinese authorities, and whether they will continue to allow sanctioned tankers to enter their ports," Lloyd's writes of Treasury's sanctions.

The assumption underpinning Lloyd's statement is wrong. It is wrong to allow sanctions-busters to give themselves a veto over sanctions enforcement. The success of the sanctions should of course be determined by Treasury itself.

In general, the Biden administration, from the first days of the fighting in Ukraine, was afraid of calling out China or imposing costs on Beijing for support of Putin's war effort. China, which greenlighted the invasion with its notorious February 2022 "no-limits" partnership declaration with Russia, provided just about everything Moscow needed to maintain the fight.

That Chinese support included cash Russia earned by selling commodities. Throughout 2024, dark fleet tankers unloaded Russian oil in China. In January, China's Shandong province announced it was closing ports to vessels sanctioned by the U.S.[34] In that province, privately owned refineries, the so-called "teapots," were known for buying sanctioned crude from Russia as well as from Iran and Venezuela.

Shandong, despite the announcement, is still a sanctions-buster. TradeWinds reported that the Panamanian-flagged Mermar, an Aframax tanker, had waited off Shandong laden with Russian oil and became the first vessel sanctioned on January 10 to discharge cargo. The vessel docked on January 15 at the Longkou port.[35]

So what's the big deal about a Chinese vessel unloading sanctioned oil? "When energy carried by dark ships is purchased by state actors, smuggling is legitimized and effectively becomes legal," Argent LNG's Bass told me last month. "The Russians are now laughing at us."[36]

Many say that Trump is trying to engineer a "reverse Nixon," in other words, wooing Russia from China. For many reasons, that's not a realistic way to end the war in Ukraine. There's no need to appease Russia to stop that horrible conflict when the United States can cut off Moscow's oil revenue and assure Vladimir Putin's defeat.

With the January 10 sanctions, Trump can starve the Russian war machine. No more money for Putin means no more war in Ukraine.

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