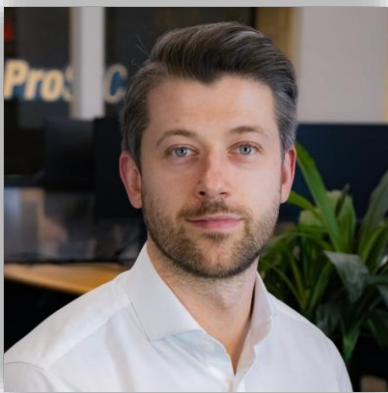


# Geopolitics of Oil: Outlook, Disruption, and Risk

**Our Expert:  
Olivier Guitta**

- Managing Director of GlobalStrat, an International Security and Geopolitical Risk Consultancy Firm (2015 – Present)

Olivier Guitta is a Geopolitical Risk and Security Expert specializing in the Middle East, Europe, and Africa (EMEA), with expertise in energy security, maritime chokepoints, and Iran's regional strategy. As Managing Director of Globalstrat (2015 - Present), a global geopolitical consultancy, he advises sovereign wealth funds, hedge funds, multinational corporations, and governments on the intersection of geopolitics, financial markets, and energy flows. Olivier has briefed senior decision-makers on Iran, regional instability, and asymmetric threats such as drone and missile warfare impacting maritime security. Frequently featured on major international media outlets, he is recognized for his forward-looking analysis of how Iranian strategy, regional conflict, and disruptions in critical waterways such as the Strait of Hormuz influence global energy markets, security risks, and the broader geopolitical landscape.

**Our Moderator:  
Max Le Sieur**

- **President & CEO of TelcoBridges**
- **Founder & Managing Partner at Rosemont Legacy (Aug 2023 – May 2024)**
- **MBA, Harvard Business School - 2022**
- **Investment Banking Associate at BMO Capital Markets (07/2016 – 08/2020)**

Read the  
[Key Takeaways](#)

Review the  
[Transcript](#)

Listen to the  
[Recording](#)

# KEY TAKEAWAYS

---

## Military Supply and Regime Outcomes Will Shape the Conflict Trajectory

- Ammunition supply levels will directly impact the duration and intensity of the conflict.
- The nature of the regime in power will be the primary driver of long-term stability.
- Continued extremist leadership increases the likelihood of renewed conflict in the near to medium term.
- De-escalation is possible if a new regime engages with the U.S. on key conditions: nuclear disarmament, cessation of proxy funding, reduced internal repression, and secularization.

## Conflict Has Become Regionally Contained—But Escalation Risks Remain

- Most neighboring and Gulf states are currently involved in a defensive capacity.
- The entry of larger regional powers would mark a transition to full-scale regional war.
- Broader escalation remains a key downside risk scenario.

## Control of the Strait of Hormuz Is a Core Lever of Economic Coercion

- ~20% of global oil supply and ~5% of global trade transit the Strait.
- Iranian threats have already created de facto disruption by increasing shipping risk and costs.
- Mining or blocking the Strait could disrupt global trade for 6–12 months, though at significant cost to Iran and its partners.

## Critical Infrastructure Targets Increase Strategic Vulnerability

- Iran has demonstrated willingness to target regional energy infrastructure.
- Water desalination facilities represent an additional point of vulnerability in Gulf states.
- Even low-level attacks risk undermining recent investment and economic stability in the region.

## Kharg Island Is a Strategic Chokepoint for Iran's Oil Exports

- The island serves as Iran's primary oil export hub.
- Disruption would have immediate implications for global oil markets.

## Global Economic and Alliance Implications Are Material

- The conflict is already contributing to inflationary pressure globally.
- Strategic petroleum reserve releases are unlikely to materially offset supply shocks.
- Central banks are likely to respond with tighter monetary policy in the near term.
- Divergent responses among NATO members could strain alliance cohesion.

## Geopolitical Competition with China May Intensify

- Control over Iranian (and Venezuelan) oil flows has implications for U.S.–China dynamics.
- Restricting China's access to Iranian oil could create leverage in broader negotiations.
- Escalation could contribute to a renewed and more pronounced U.S.–China trade conflict.

# TRANSCRIPT

---

**| Max |** So my name is Max and I'll be leading this call on behalf of VISASQ/Coleman Research today. So as you know, the purpose of the discussion is to learn about the geopolitics of oil and the implications of the conflict in Iran for global energy markets. Before we begin, I do want to remind you that we are in no way soliciting any material nonpublic information or any information that is confidential and related to any company or organization that you are currently or have ever been affiliated with. If you believe that there's an answer to a question that involves nonpublic information, please just tell me right away and I'll take us in a different direction. Any questions before we begin?

**| Olivier |** No, it's all clear. Thank you so much.

**| Max |** Perfect. So Olivier, would you mind just providing a short overview of your background and experience as it relates to Middle East energy politics, just to kick things off?

**| Olivier |** Sure. So I started my career in finance in New York. A while back. I worked first at a international private banker and then as a portfolio manager, so markets have always been my passion. 24 years ago, I switched from finance to geopolitical risk, mostly working with as well financial firms and portfolio managers looking at different markets, including energy markets, but also commodities and equities and bonds, anything related to investment. So I've worn those two hats and made us a little special in this niche market, because we know what our clients need because we were in their place a while back. And we know also on the other side what would be interesting and not to have them waste any time with very, very long and boring research. Having said that, as of today, we work mostly still with financial firms, but also with sovereign wealth funds, any macro group, looking at the economy and the energy are also part of our clientele.

| Max | Perfect. Thank you so much. So moving on to the topic at hand, the first section I'd like to... Or the first section of the discussion is about kind of just your outlook for the conflict. In your base case, how long does this conflict last in terms of, is it days, weeks, longer? Can you share your view?

## Military Supply & Regime Outcomes

| Olivier | So I was in the Gulf about a week before the conflict started, and our contention was that we were on the verge of being blocked there because of the conflict. So we went out and looked at all the different inflection points that we are looking at in our analysis and made the decision to tell our clients that it was imminent. Having said that, in terms of the base, something that your audience must know is that the 12-day war in June was only 12 days because both the... Essentially, the Israelis ran out of ammunition, defensive ammunition, and so they needed to stop. As of today, our assessment is that both the US and Israel have about four weeks of ammunition, from the start of conflict. So when Trump said, "Look, the conflict is going to last four weeks," in essence, is telling us what his Army is evaluating it will be. Having said that, so we are at the middle of the conflict. Having said that, two things that we are looking at and that the market is not looking enough. Everybody's focusing on the military, I would focus on the political. We have now an issue that is becoming extremely problematic for Trump going forward. He cannot live or finish this contract with the son of Khamenei being Supreme Leader. While we don't know if Mojtaba Khamenei, the son, is still alive, injured, we know that we haven't seen him and that there's no reason for that, except if he's gravely injured or dead.

**| Olivier |** But in any case, a political situation and solution has to be founded in the next two weeks. Because imagine if the US withdrew, they have finished their campaign, but still they have put in place a guy that is possibly even more extremist than his dad. And that would be a total disturbance and that would likely prepare for a third intervention in the next few months or years. So that's the first issue that people are not looking at, but they should. It's the priority.

**| Max |** Got it. Super helpful.

**| Olivier |** Thank you, Max.

**| Max |** Yeah. That's super helpful. Thank you. So what are the key trip wires, according to you, that would shift this from a contained conflict to a wider regional war?

## Conflict Has Become Regionally Contained

**| Olivier |** So for me, we are already into the wider regional war. At the moment when Iran decided to retaliate against the Gulf countries, the war became regional. As far as Iran is concerned, they have hit all their neighbors, obviously except Iraq where the militias are very strong, but everybody's got involved, at least on the defensive side. I would put to you that Iran hitting the Gulf is the extension of the conflict, but notice as well that none of the Gulf countries have hit back.

So will I see this happening? Obviously they're relying on both the Americans and the Israelis to do the job against Iran and they're not getting involved, but will there be a point where it will be enough and they will have to do it? I would say the countries have not retaliated yet, there's no reason for them to retaliate in a week or two weeks or three weeks.

| Olivier |

I'd say if you're looking at a scenario whereby the US and Israel leave in two or three weeks, they think the conflict is over and all of a sudden Iran and its regime attacks them again, then that could be the beginning of a real regional war. But for me, we are past that point of a regional war. But things could get much messier because you could have other countries getting involved, and those countries could be Pakistan ... Pakistan has signed recently a very strong defense agreement with Saudi. They have warned Iran not to attack Saudi, but still Iran has done it. So Pakistan, remember, has a nuclear weapon, is a big army and could get pushed into that conflict, but also Turkey, especially with the Kurds, because we haven't spoken about that, but the Iranian Kurdish opposition could be used by the Americans as proxy forces on the ground in Iran to try to go after the regime, and that would not please the Turks. And Syria is also moving. So there's a lot of other pieces of the puzzles that could push towards an extension of the conflict, even to a more global expense than just this regional aspect you're asking your question.

The question is today, looking at where we are, is how much can this be stopped? The revolutionary guards have military basis around the Strait, and they haven't been hit yet by the American Israeli forces. The reason being is that it wasn't viewed as a major priority, and I think that should have been, but there were so many other targets to be hit. As I mentioned earlier on, 15,000 targets, that's a lot to get a hold of.

So that's the first thing. The second thing is obviously the mines. And the mines are very problematic. One thing because the US has scrapped, just by coincidence, few of their anti-mine ships a few weeks ago, but there's not a lot of people in the West that have very good anti-mining systems. The British are the ones that have quite a lot and the French as well, but they have said that they will not get involved in the conflict, which means that they will not come even on a defensive way to the rescue of the international community to try to unblock the situation.

**| Olivier |** But this is what mistake of a lot of the experts is that this regime was not extremist just at the top, but I would say the second and third tier level is as extremist as the first one, because the assumption was that if you kill the head of the snake, so the Supreme Leader Khamenei, the regime would crumble and people would surrender with the white flag or defect and it would be over. But that's not the case. And that is the problematic aspect going forward.

**| Max |** Okay, that's helpful. And then so how should investors think about the situation in Hormuz in practice? In particular, what would need to happen for shipping through Hormuz to resume at scale?

## Control of the Strait of Hormuz

**| Olivier |** So here's the issue that we have, is that how do you make sure that the Revolutionary Guards and the whole Navy of Iran is taken out? Because that's one part of the equation, is to get the military operation to switch to Hormuz. But the main blackmail weapon that the Iranians have is that it would take them just a few hours to put so many of the mines. And then for anyone to come in and clear up the Strait of all those mines would take anywhere from six months to a year, which would mean that the Strait would be totally unusable for up to a year. That is the catastrophic scenario that the markets do not want to think of and are not thinking of, but they should. So that's one thing. The second thing is doing what China, India, and some other countries are doing, is negotiating directly with whoever in charge of the Iranian regime and making sure that their ships are allowed to go through the Strait. And for that, they basically give something in exchange. And whatever happens, they will pay some monies or some barter to make sure that they're in the good papers of the Revolutionary Guards.

**| Olivier |** So that's the second thing. In order for us to see the situation clearing in the Strait, if you're the regime today and this is your last weapon, why would you give it away if you don't get the resolution that you want? So they know, and they've known for 40 years, that the way to win a war is not only on the military side of things, but also on exerting not only terror, but also blocking the economy and trade.

**| Max |** How likely is a more concerted shift from maritime disruption to systematic and widespread targeting of energy infrastructure?

## Critical Infrastructure Targets

**| Olivier |** Yeah. So indeed, Iran, from the get go, decided to target its neighbors and especially the energy infrastructure of its neighbors, realizing from the get go that it was going to be very, very dramatic for not only the Gulf, but also for the world markets, the world energy markets. So it made sense for them right away that they had contingency plan to, if Israel or the US were going to hit, they would focus, yes, on US bases in the neighboring countries, but also on energy assets.

And the idea is basically twofold. It is to create terror, chaos, and also market disruption in a very large fashion. The Islamic Guard, Revolutionary Guard, has been very good in thinking up what they could do in terms of making themselves a major nuisance for the world economy. And of course, by disrupting the flow of oil and gas, you impact on the markets in a very, very straight fashion, but also you impact on the psyche of the international community.

**| Olivier |** And the psyche is simple, especially for the American public, is looking at the price of gas and the pump, and that has always been, for the American public, something of a major vector of knowing if the economy's doing well, if the President is good enough to be leading or not. And so as I mentioned earlier, the elections are coming up in November and Trump doesn't want to see \$4 gas at the pump because then it would mean a major defeat against the Democrats.

But having said that, the main issue that we are looking at is how much this could impact also investment going forward, and that's something that is dramatic in just not the energy markets, but also looking at all those economies that have been viewed as the new gold rush, if you will. Saudi Arabia and the UAE have been flooded with investors in the past 10 years. So Iran knows that, and by hitting the most valuable assets of those economies, oil and gas, it is bound to see some blowback effect going forward, and that's what Iran wants.

**| Max |** Got it. And which oil and gas facilities are the most exposed if escalation continues?

**| Olivier |** So I would say all of them. Literally we've seen, across the board, major bombing, whether in the UAE or Saudi. What we're looking at is everything or anything is a target, and that's the main problem because how do you make sure that you can protect all your assets, if you're a Gulf countries, if you don't know which one is going to get hit?

# TRANSCRIPT

---

| Olivier |

But also if you think about it, Saudi had thought about possibly using another pipeline that doesn't go through Hormuz and that is allowing them to export some of their oil. So I'm looking at possibly the Iranians looking at the two or three different solutions that have been really rolling for the past few years in the region and to hit them because they don't have control over those. The one in Hormuz, they can stop them, but the ones that have been used so far by both the UAE and Saudi, they haven't been majorly hit. And I would suspect that Iran would go after those, but that's just a suggestion here.

| Max |

Got it. And there's no distinction between power assets or export terminals or refineries? There's no, in the upstream, downstream value chain, there's no distinction between assets that are particularly vulnerable or target hits?

| Olivier |

So vulnerable, they're all vulnerable. That's the main problem. Because as much as, for instance, the UAE has been able to stop about 93 or 94% of all the incoming drones and missile, there's still those 6% that go through and that could hit one of their major refineries. So yes, anything related to oil and gas in terms of the refinery before the power networks, so anything oil and gas. But I would put at the top of the food chain, and they've done that in Bahrain, the water desalination plants, because obviously the Gulf gets most, 90% of its water, from the sea and they need those desolation plants to survive. So water is as important as oil and gas right now, especially in this region. So I would suspect the Iranians might hit other water treatment plants in the future.

| Max |

Got it. Super helpful. And has the conflict materially affected Iran's crude oil production and export volumes so far?

## Kharg Island

**| Olivier |** Not really. Barely. I'm looking at the numbers. And so before the war, average was about 1.6 million barrel a day. Now we're above one million, so it's gone down, yes, but not dramatically as you would expect. But remember, the main conduit for Iran to export its oil is the island of Kharg. Or Kharg. That is, for now, not being hit on the refinery side and on the oil side by the US Army. So the US Army has hit Kharg Island, but not any of the oil assets. And that's something on the other side that Trump could do to basically cripple the regime and revenues from Iran, but he has been extremely careful not to hit any energy targets. And you might remember that he got very upset with the Israelis when they did hit a refinery in Iran. So that's something that is a very touchy topic because they don't know, they being the Americans, they don't know what the effect of all this oil being out of the market could have in terms of pricing.

**| Max |** Got it. Super helpful. Thank you, Olivier. So moving on to an analysis of Iran's options, and I'd like to start with just what are their most credible tools right now. Drones, missiles, mines, underwater mines, proxy attacks, harassing shipping containers? What is the tool set they have at their disposal?

**| Olivier |** So all of the above. You named all of them, except terrorism. Terrorism is the big one that they would be looking at. We've seen that ... So I'll start with this because it's the one that is less viewed as major, but I think that's where Iran has the most expertise, if I can say. We've seen that there've been an acceleration of attacks, not very sophisticated, but of attacks in the US. We've seen that in Michigan with the attack on the synagogue, the attack in Virginia on the university, the attack in Austin. So we see many more attacks.

| Olivier |

But the big one, and that's the main issue we're looking at is, supposedly the FBI is on the lookout for sleeper cells linked to the regime of Iran, and that could come up with major plots to attack the US homeland in a dramatic fashion. I'm not talking just about what we've seen with a lone terrorist coming in, but rather something of a major scale attack. So that's one thing.

But it's not only the US. If you speak to the security services in Europe, they are equally worried about what Iran could do in terms of targeting soft targets and going after embassies, but also cinemas, you name it, anything that they could do. The MI5 services in the UK have said that they have stopped and spotted at least 20 plots by the Iranians to carry terror attacks in the country, in the UK. So having said that, this is, I think, one of the tools that we haven't seen in a major fashion, and I hope we won't see it, but the Iranians are very good at that, so that's one.

The second thing is the drones and the missiles are much less of an issue than they were the first day of the attacks because I mentioned at the beginning that both sides were going to be running out of ammunition, but that would be the case also for Iran, but they don't need a lot to go after damage.

I would say if I had to pick just one, it's the mines. The mines and the blackmail over the Strait of Hormuz is the most defining weapon that Iran has the international community over, and everybody's extremely concerned about what could happen in the background of such a possibility and the nightmare scenario.

| Max |

Got it. No, that's super helpful. And in your view, does Iran have more leverage when there's a period of sustained uncertainty, of sustained uncertainty, or when there's a formal blockade? What gives them a better hand?

| Olivier |

So both things make a lot of sense for them. I mean, the blockade is not really a blockade without being a blockade. I mean, they've done it a very smart way. They have de facto blocked the strait by just mentioning that they could shoot and stop the ships from going through. I mean, there's been more than a dozen ships that have been hit by the Iranian Navy. That's one thing. But also the second thing is how much do you want it to be a total blockade? And the Iranians are extremely smart. As I said earlier, they're negotiating with China, India, which are the biggest clients, by the way, in terms of oil exports, to make sure that everything is smooth for them to go through. So it is something of a very practical way of doing things. So when people say, "Look, there's a blockade of the Strait of Hormuz," no, there's not. It's just that they have basically done two things. They are threatened to block it. And if anyone comes near, they go at them. But also by just saying that they were going to block it, insurance rates have gone up to a level that doesn't make any sense for the ships to try to cross it. And also the price of tonnage and the shipping is such that even the clients do not want the ships to go through there because it's going to be so expensive. So that's the smart way of doing things is just by mentioning what they could do that they got the whole world in terms of shipping upside down, because we all talk about 20% of the oil of the world that goes through the Strait of Hormuz, but there's also 5% of the global trade that goes through the Strait of Hormuz. 5% is not 0.1. It's significant and it affects our daily lives dramatically.

| Max |

Got it. Okay. And just to be clear, just to level set, they've threatened to close the Strait of Hormuz. They have blocked 12 ships, but there are ships going through, and in particular, ships going to China and India. Is that the right way to understand exactly what is happening there right now?

# TRANSCRIPT

---

**| Olivier |** Yes. They have let ships with carrying Chinese oil or Indian oil to go through and then negotiating also with other countries to allow this. So it's a little bit like they have the border control. They control the border and then let anyone in that is their friends.

**| Max |** Got it. And are there underwater mines in the bottom of the Strait of Hormuz or at the most narrow point right now?

**| Olivier |** So from open source, the American intelligence services have said a few days ago that they know that there have been a dozen placed, but it could be just a dry run and it could be to say, "We are serious, we're not bluffing," because why would you put just a dozen?

**| Max |** Got it. Super helpful. So from today, what in your opinion would an escalation look like, and what in your opinion would a deescalation look like?

**| Olivier |** So escalation would be 6,000 sea mines put at the bottom of the Strait of Hormuz. That would be the escalation, because then that means at least a year without crossing the strait, and nobody can stop that. And even the allies of Iran will be dramatically impacted. And I'm talking about China for sure that will have to pay its oil much higher, but also the markets, and we would see oil at 150, 200 very quickly.

**| Max |** Got it.

# TRANSCRIPT

---

**| Olivier |** That would be the first thing for escalation. For deescalation would be a regime change or a regime that would be agreeing to talking with the Americans and agreeing to the four conditions I mentioned earlier that would prove their goodwill of stopping being a rogue state and reintegrating the international community and living at peace with its neighbors. That would be the only way I could see a deescalation quickly. But also, as I said, practically the war would possibly end in two weeks because of just ammunition depletion.

**| Max |** Can you repeat the four conditions that a new regime would have to agree to to represent deescalation?

**| Olivier |** So one would be to stop the nuclear program and dismantle it totally. Second would be stopping funding of terrorism and proxy groups abroad, including Hezbollah and the Houthis. Third would be to commit not to go and kill its own people and kill the opposition and shoot people in the Street. And fourth would be to remove the Islamic component of the Republic and to make it a much more secular Republic to be approved by the people of Iran, and especially the women that have suffered through this regime a lot more than the men.

**| Max |** Got it. And you said earlier that one of the things about this regime is that it wasn't just the leader, it was like levels two and three that were also pretty extreme. And so can you just comment on how likely it is that that path, the deescalation materializes if the view is that there's multiple levels of extremism in the regime right now?

| Olivier |

Yes. So we don't know how deep it's gone through in terms of targeted assassination. There's been at least a thousand plus leaders of the regime that have been killed by the Israelis and the Americans. So the question is, how much lower do you go to make sure that you're going to have someone that will be willing to view as a risk-reward ratio that it's better to stop the bloodbath now and make sure that he will get on top of the regime. So that's one thing. The second thing, and that's why it's very important to see why they have appointed a supreme leader, is that they didn't want a void in power. But if Mojtaba Khamenei is incapacitated, who's running the show? And that's the main question that nobody can answer is who's pushing the buttons? Who is giving the orders to blow this refinery in the UAE?

And that's where I think the major mistake by the US and Israel was in their analysis is the revolutionary guards have a lot to lose. Remember, they control 70% of the economy. So it's not only a question of life, but it's a question of wealth. So they've stashed billions of dollars abroad anywhere from Canada to Switzerland to Venezuela, and they have a lot to lose. So if you're Trump and you're looking at this, there are ways to negotiate with people that would abide by those four rules, but you have to find them and you have to make sure they don't have bloods on their hands, because then how do you make sure that the people of Iran, which we haven't talked a lot, do not engage in a civil war when the war is over?

| Max |

Yeah, right. No, that's super helpful. And last question on this topic, we talked a lot about Iran escalation and deescalation. What actions by the US or allies of the US are the most likely to trigger a very sharp response from Iran? What could the US and its allies do that poke the bear, so to speak, from here?

**| Olivier |** So the one thing is tailing off their revenue stream and it's to bomb out all the oil facilities in Harge on the island, because 90% of the oil from Iran comes from there. So if you bomb it, that's the last straw. I mean, that's the escalation and they would go all in. But as I mentioned earlier, Trump has been extremely cautious with anything related to energy in terms of targets. So it possibly won't happen, but also they could go after the revolutionary guards that have bases near the strait. They could try to focus on that and destroy those bases. So those are the two things that I see could push. But as I said, escalation, what kind of weaponry do they have? Drones and missile are dwindling down. It's Hormuz. If you clean up the issue of Hormuz, Iran is going to fall. There's nothing that they have as a weapon to basically stand up to the US and Israel.

**| Max |** Got it. Super helpful. Thank you. Okay. So I want to move on to the next section of the discussion, and it's about adjacent markets. We've talked about it a little bit, so we don't need to go over what we've already said, but how resilient are the Gulf states to repeat low-level attacks versus one-off strikes?

## Global Economic & Alliance Implications

**| Olivier |** So a couple of things. So what we've seen so far has had mostly effects on the psyche of people, on how those countries are not the paradise everybody said they was and that they are not an island, literally. So you cannot leave in a localized world. Basically, your neighbors matter. And for all the talk of the threat of Iran, nobody was really looking except the ones that is their job like us.

| Olivier |

Nobody was looking at a major risk coming from Iran and blocking the strait and all those things. So the main question is today is the wake-up call. And that's for me the most important aspect. Rather than just the material attacks from Iran that obviously have an impact, the impact of hitting the Dubai airport with a drone is a hundred times more than hitting a refinery, I would put to you, because how many people are in the next six months going through the Dubai airport to connect to their flights to Asia? And they're not going to think about this, not many.

So Iran knows that, and that's why they've been very good at going after those soft targets, but also those mirrors targets. So that's one thing. The second thing is, how do they rebound from this? So as you've seen, the Gulf States have been extremely eager to control any kind of images coming from their countries. They have even arrested tourists or expats or even their own people for filming a drone attacking a target. So obviously they don't want that for intelligence matters, but they don't want that also for those images to stay in the minds of people that could be coming and investing.

But the main thing is really, when I was in the Gulf three weeks ago, some hedge funds and some financial companies didn't think that I was correct in assessing that there could be an Iranian attack on the UAE. So there was this denial that of, "No, we're safe here. If they go after target, they will go after Israel, not after us. We have nothing to do with this." And that's the main aspect. And I'm glad you're doing this seminar about geopolitics because now geopolitics touches every single aspect of life. It's not just the market, but it's our daily life.

| Max |

Yeah, that's super helpful. And last thing on neighboring markets, but do you expect regional governments to change their alignment or security posture as things evolve here?

| Olivier |

Very good question. So as you may know, those countries in the Gulf all had defense agreements with Western countries, mostly France, the UK, and the US. They have seen how cautious and how neutral both the UK and France have been, and they're not happy with the fact that they basically paid for something that they didn't get anything in return. Obviously, the French have a base in the UAE, the UK has a base in Bahrain, but we haven't seen, and those countries haven't seen a lot of military defense and offensive from those countries to fill out what their defense agreement is. So I would think there would be a big backlash against especially France and the UK from Gulf countries to say, "Look, the Americans and even the Israelis in one way, especially through the Abraham Accords with the UAE, have helped a lot in defending us. You haven't."

So that's one thing that I'm seeing as a potential negative point for both France and the UK. The second thing is look at the Strait of Hormuz. If you have countries saying, "Look, we're not getting involved because it's the war and Iran is blocking the strait and we don't want to get involved, we don't want to come to the help of the US," Trump has been very clear, and we know from his first term where he was on the brink of removing the US from NATO, really on the brink. This time around, look at his declaration in the past two days. He says, look, "If our allies in NATO are not coming to our help after all we've done with them, then I will take on consequences." I would put to you that the main security consequence of what just happened and what's happening now could be the total demise of NATO, and that's very good for Putin.

Putin would be the big, big winner of this. So security-wise, I would suspect that Gulf countries would get closer to Israel just to get their systems in terms of defense, the Iron Dome. So the Israelis are going to sell the Iron Dome, I think, all over the world. And the second thing is possibly an explosion of the Western Alliance, and that is dramatic.

| Max | Super helpful. Super helpful. Moving on to our last section here is the impact on global energy security, what comes next in China's role and your views on those things. So I'd like to start with strategic petroleum reserves. There have been headlines around those recently. Are they a credible stabilizer or just a short-term buffer? And even at that, are they effective as a short-term buffer?

## Geopolitical Competition with China

| Olivier | Very good question. They're not effective as a short-term buffer. I mean, from the moment they've been announced, I mean, oil had a little dip down when they were announced, but now we're back up and we're even a little higher than when they were announced. Also, in terms of number, you have to realize we're talking about 400 million barrels that, in common, all those countries put together in their reserves. And as a comparison, it's only about four days of world consumption. So it's not like there was all of a sudden 100% more oil coming to the market. We're talking about four days. So no impact whatsoever. It was much more for the psychology of the market and thinking, "Okay, we're going to do things," but it's not very valid. Hence why the issue with the Strait of Hormuz needs to be the priority for the whole world, not just for the US.

| Max | Yeah. So how quickly is this situation going to translate into inflationary pressure across the globe, in your view?

# TRANSCRIPT

---

**| Olivier |** It's already there. The markets are pricing that most of the central banks are going to raise interest rates in the next three to six months. You saw the yield on the treasury in the US going up dramatically after the beginning of the attack. Same with the yield of the gilt in the UK. So we are into an inflationary bubble here, but as I said, this could be just the beginning. I don't want to be the black sheep here, but there is a possibility of oil going to 150-200, and then what do you do? And for one year, if the strait is mined, for instance. And then you go to inflation to levels we haven't seen since the '80s, if that's the case.

**| Max |** Right, right. That's interesting. And so let's talk about China for a second. What are China's constraints or what is the game theory for China acknowledging that it has leverage or a relationship with Iran as its largest customer for Iranian oil?

**| Olivier |** Okay. So about a year ago, China and Iran signed a memorandum of understanding, an MOU, of a \$400 billion investment from China into Iran, mostly on infrastructure, on energy. But the reasoning was that China wanted to have access for the next 20 years to cheap oil. So basically the Iranians agreed to provide China with oil with a 20% discount. As we know, the Chinese are very good at signing MOUs, but they're not very good at signing contracts and implementing those. So it was always some kind of a utopia dream, but now when it comes to China, the main question is what could happen if you have a regime change? And that's something that people have not looked at. One of the main goals of Trump to go after Iran after going after Venezuela was to basically possibly control the two largest providers of oil to China because, okay, we know that the Americans control Venezuelan oil.

**| Olivier |** If they were to control Iranian oil or if Iranian would ... The New Regime would stop selling to China, then right there, Trump as a big blackmail weapon against Xi, and Xi with this other blackmail weapon that is the access to rare earth minerals would be stopped and neutralized. And that would be a big sea change.

It is very interesting to see that the meeting between Xi and Trump that was supposed to happen end of March, beginning of April, has been postponed indefinitely by Trump, under the guise that is fighting a war, yes, but also possibly to get and know the outcome of what could be the control of Iranian oil.

So China is on a very, very down and down scenario building here because nothing looks good. As I mentioned earlier, I think the big winner is Putin and Russia. China is a net loser when it comes to the conflict with Iran.

**| Max |** So is Beijing doing anything to manage this exposure? And at what point ... What needs to happen or at what point does China move from being a spectator here to changing their commercial posture, or doing something more overtly diplomatic and strategic?

**| Olivier |** So historically, China has been very, very timid, both on the diplomatic front and the military front. So they haven't really gone like other countries to send military assets to protect their investment, for instance. And so in the past few years, they've been more active on that point, but they haven't done anything major. So I don't expect, one, China moving on military, even on a defensive side of things to protect their assets when it comes to oil.

**| Olivier |** They have a lot to lose to be blatantly and materialistic on the side of Iran. We know that Iran has had a lot of contacts and a lot of weapons from the Chinese, so that is happening in the background, but it's not in China's interest to prop up a regime that is likely to fall or not. So that's one thing.

The second thing, how quickly can they ask for new suppliers? So one of the biggest suppliers also is Saudi Arabia, for instance. But what is going to be Saudi's policy looking at this? Would you rather sell to a country that was on your side or a country that was helping the country that was sending missiles to you? And China is very clear in being on the side of Iran.

So in terms of what they can do, they're stuck. And that's why I am saying Trump has a big card to play here in order to stop the Chinese from holding a gun over its head. And we could see, to answer the last point of your question, we could see a resuming of a trade war between China and the US in a major fashion going forward.

**| Max |** Got it. Does this crisis, you think, accelerate long-term shifts in energy security strategy and diversification for China? I guess you just alluded to it with regards to Saudi, but are there other ways that it could play out with regards to their reaction to diversify or change their supply chain?

**| Olivier |** So look, obviously if you look in terms of what China has been pushing, so they're dependent on oil, gas, and coal, but remember, they're pushing a lot and they're on the side of the future with energy vehicles. So they know that they cannot depend on so many countries on energy. So there's one thing about access to minerals. So what they've done with minerals and acquiring 90% of them in the past 20 years while everybody else was sitting on the sides, it's going to be virtually impossible to do on oil and gas.

# TRANSCRIPT

---

| Olivier | So renewables are not really an issue. So for the next 20 years, they're stuck. So they need to have a diplomacy that could work well with other countries and get, as we said, Gulf countries to be lenient towards them. So it has the potential of being a sea change, because everything is going to be upside down going forward. So if Gulf states are going to be grateful to the Americans for what they've done to ... If it happens to get rid of the Iranian regime, then they would see China as a non-reliable ally aligning itself with their enemy.

| Max | Got it. Super helpful. So net net, what is your prediction for the energy markets and the geopolitical risk in the near term? So three to six months?

| Olivier | So energy market, I would say best case scenario, let's say we have a new regime in three weeks in Iran, and oil starts flowing, infrastructure, investment. Lifting of sanctions, everybody goes into Iran to invest, then obviously we have a virtuous circle and we could have oil quickly go down to 30 or \$40 a barrel, because from that one million, if you get things right, Iran could dramatically go to three or four million a day. So there's a net net, very positive scenario from this that comes up with this investment, stopping of war, stopping of proxies, stopping of chaos in the region, peace agreements, you name it. This could be the ideal win-win scenario.

Second scenario, Iran doesn't go easy, which is the case right now, and they put mines on the seabed, and so that's \$150-200 a barrel for the next year, at least.

In terms of geopolitical risk, yes, we have a lot of other crisis brewing. Pakistan, Afghanistan, Syria, countries in Africa that we're not looking at, it is a time bomb almost everywhere. So get a geopolitical expert in your staff, please.

# TRANSCRIPT

---

**| Max |** What is the single most underappreciated risk and the single most underappreciated opportunity for investors looking at the Middle East story right now?

**| Olivier |** So underappreciated risk, Strait of Hormuz That's the sea mines. Nobody thinks that it will happen. You don't know. When a regime is on its last legs, they could do something crazy. And remember, compared to any other regimes, and that's important for your audience to know, this regime is Messianic oriented. They think that the Messiah is going to come after a war of this magnitude, and so they don't care about human life and life on earth, because they think that they'll be okay. And that aspect cannot be understated. So they could do anything the Iranian regime, that's one. In terms of the opportunity, I would say the opportunity is Iran. And if you get a change of regime, if you get the lifting of the sanctions, Iran could be the biggest market for the next 20 years. You have 100 million people population that is extremely sophisticated, extremely well-educated, extremely Western, and they have so much to offer, but also it's a country that has been in the stone-age for the past 47 years. So anywhere you look at, any sector, there's investment and money to be made. So in a nutshell, Iran and Iran are the most underappreciated risk and the underappreciated opportunity.

**| Max |** Super helpful. Well, Olivier, thank you so much for your time.

**| Olivier |** You're welcome.