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Middle East at the Crossroads of Global Power: US Energy-Compute Hegemony and Shifting Alliances

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CONTENTS

Executive Summary

The United States is leveraging a unique, time-limited window (2026–2030) of dominance in LNG exports and advanced computing to reshape global power dynamics, with ripple effects throughout the Middle East and beyond. This approach maximizes US leverage, but heightens the risk of adversarial acceleration—particularly China's potential military action on Taiwan as a reaction to energy constraints. While OPEC+ and Russia remain significant volume and regional players, their direct pricing or strategic veto power is structurally weakened in this environment. The evolving global order increases the urgency for all regional and global stakeholders to clarify their positions and hedge their bets as multipolarity intensifies.

Situation Assessment

The current environment in the Middle East is defined by the accelerated realignment of global energy markets and the strategic exploitation of energy and technology chokepoints by the United States. Since the Russia-Ukraine conflict, the US has solidified its position as a dominant energy supplier, notably in LNG, using this leverage in tandem with its leadership in advanced computing (AI) to exert influence over global power structures. This window for dominance is explicitly narrowed to the 2026–2030 timeframe, beyond which rivals such as China and Russia are expected to achieve greater diversification in energy sourcing and indigenous technological advances. The traditional petrodollar system, once guaranteed by US-Saudi cooperation, is evolving into an LNG-dollar mechanism that embeds monetary power within new energy routes and contracts.

Major actors are recalibrating their priorities in response to this shift. China, acutely aware of its vulnerabilities—especially its reliance on the strategic petroleum reserves and the Strait of Hormuz—is intensifying efforts to diversify energy sources and accelerate domestic AI and nuclear capabilities. At the same time, OPEC+ continues to exercise volume aggregation power with substantial spare capacity but diminished ability to dictate global pricing unilaterally. The European Union, facing acute energy vulnerability, is in a state of temporary dependency on US LNG as it builds out renewables and storage. Russia, meanwhile, is reorienting its energy flows toward Asia, but with new pipeline infrastructure such as Power of Siberia 2 not reaching half capacity until at least 2034–2035, its near-term trajectory remains constrained. These dynamics catalyze an "escalating" trajectory: as the US consolidates leverage, counter-balancing mechanisms by rivals are initiated, increasing the risk of tipping points—most critically, accelerated Chinese moves over Taiwan facilitated by its SPR extension covering 96–183 days of imports.

Historically, energy chokepoints have triggered not patience but desperate action, as seen in Japan’s Pearl Harbor response to US oil embargoes. This precedent adds urgency to the interplay of consolidation and reaction underway in the Middle East and its intersection with global strategy.

Stakeholder Analysis

The shifting power dynamics in the Middle East and adjoining regions are anchored in stakeholder responses to US energy and compute leverage. As the US exploits this window, emerging power concentrations and realignments form the core of future scenario planning. The stakeholder analysis clarifies explicit interests, avenues of leverage, veto possibilities, and key indicators for monitoring, providing a resilient framework for tracking change as events unfold.

Among the most consequential players, the United States now enjoys both high leverage and veto

power, underpinned by its LNG and AI export surges. China, while externally promoting multipolarity, is revealed as energetically vulnerable yet determinedly hedging through massive reserves and diversification efforts, retaining high leverage via its economic scale and potential military initiative. Russia and OPEC+ (notably Saudi Arabia and the UAE) play pivotal supporting roles: Russia's resilience under sanctions and avenue for long-term energy pivot to Asia are counterweighted by structural limitations in the near term, while OPEC+ functions more as a sophisticated volume aggregator than a price-setter. The European Union, with only medium leverage and little veto power, remains susceptible to supply vulnerabilities, especially as its green transition lags behind energy security needs.

Interaction dynamics are dominated by the American drive to entrench dollarized flows and AI constraints, Chinese moves to break out of chokepoints (energy and digital), and Russia and OPEC+ navigating between Western and Eastern economic spheres to retain relevance. Watch for shifts in LNG contract currencies, defense postures around Taiwan, the rapidity of Chinese renewable/nuclear buildout, and OPEC+ production strategy as real-time barometers for escalation or adaptation.

Actor	Stated Position	Leverage	Veto Power	Key Indicator to Watch
United States	Support global energy security; transition to green energy	HIGH	YES	LNG export growth rate; USD share in LNG contracts
China	Promote multipolarity; secure energy	HIGH	YES	SPR drawdown; AI/renewables progress; Taiwan military posture
Russia	Resist Western hegemony; new Asian energy markets	MEDIUM	NO	Pipeline completion pace; Asian offtaker deals
OPEC+ (Saudi, UAE)	Stabilize oil markets; maximize revenue	MEDIUM	YES	Production quotas; BRICS/yuan trade volumes
European Union	Achieve energy independence; accelerate renewables	MEDIUM	NO	LNG dependency; renewable energy buildout rates

Leverage: HIGH (red), MEDIUM (amber), LOW (green). Veto Power: YES (red), NO (green).

Geopolitical & Security Implications

The current US approach to leveraging energy and compute hegemony is fundamentally transforming global geopolitical and security alignments in the Middle East and surrounding theaters. The deliberate expansion of LNG export capacity, combined with targeted use of AI and compute as strategic chokepoints, enables Washington to reinforce the dollar's role in global transactions and curtail rivals' capacity for counter-coalition moves. This strategic assertiveness, however, is not without

consequences. Specifically, it sharply elevates the risk that China, perceiving narrowing windows for action due to energy vulnerabilities, will accelerate a military timeline for reunification with Taiwan. This risk is amplified by the historical precedent set by Japan's attack on Pearl Harbor—energy strangulation does not necessarily induce caution, but can prompt rapid escalation.

At the regional level, OPEC+ continues to wield substantial aggregation power despite price-setting diminishment, offering potential swing capacity to both Western and non-Western actors. Russia's resilience under sanctions and ongoing efforts to reroute energy flows to Asia, although hindered by infrastructure delays, preserve its standing as an influential disruptor. The European Union and Asian importers, heavily reliant on US energy in the short-term, are incentivized to accelerate investment in strategic reserves, renewables, and alternative trade relationships—potentially reshaping traditional security dependencies. The evolving power matrix increases the probability of new trade and security blocs emerging to challenge US dominance, especially if American assertiveness is viewed as overreach.

The practical implication for all actors is that military and economic postures will be increasingly interlinked with real-time shifts in LNG flows, AI capacity deployment, and the defense of critical maritime chokepoints in the Middle East and East Asia.

Economic Transmission Channels

Shifts in energy and compute leverage transmit through multiple, concrete economic channels, creating both immediate and medium-term impacts on markets and regional economies. The reinforcement of the LNG-dollar mechanism ties both energy and monetary power to the US, affecting pricing strategies, FDI flows, and cross-border contracts. As the US boosts LNG export capacity by an EIA-verified 80% from 14 Bcf/d in 2024 to over 25 Bcf/d by 2028, European and Asian economies will face a period of temporary dependency, leading to price volatility and potential supply insecurity. Simultaneously, China's efforts to diversify its energy base and Russia's attempts to pivot exports eastward are slowed by infrastructure caps, as demonstrated by Power of Siberia 2's timeline for reaching significant throughput only by 2034–2035.

Orderly or disorderly changes in contract currency (from dollar to yuan or other alternatives), heightened risk perceptions, and the threat of sanctions will influence FDI, remittance flows, and trade route resilience, cascading directly into economic growth and budget calculations for both importer and exporter states. The introduction of targeted incentives by Washington for AI/compute infrastructure and aligned allies reinforces dollar-based linkages and trade dependencies, while also galvanizing adversary innovation in alternative energy and digital systems. All these channels carry both opportunities for reinvestment and risks of market bifurcation or sudden shocks.

Channel	Mechanism	Magnitude	Timeline
Oil/Energy	LNG-dollar contracts; pricing power shifts	HIGH	2024–2030
Trade Routes	Diversion due to sanctions; maritime chokepoint risks	MEDIUM	Immediate–2030
Sanctions	Targeted export/import limits; dual-use tech controls	HIGH	Ongoing
FDI Flows	Shift toward US-aligned infrastructure; risk-off in adversary states	MEDIUM	2026–2030
Currency	Dollar reinforcement via LNG contracts; potential for rival alternatives	HIGH	2026–2030
Remittances	Potential volatility in flows to Middle East, Russia, and Asia	LOW	Variable

Magnitude: HIGH (material macro impact), MEDIUM (sector/region), LOW (limited or indirect); Timeline: period of strongest expected effect.

Scenario Matrix

The evolving Middle East landscape is best understood through a set of sharply defined scenarios, each grounded in specific triggers and validated probability estimates, enabling proactive strategic selection and vigilant risk monitoring.

The base case is continued US energy-compute dominance through 2026–2030, with heavy expansion of LNG exports and reinforcement of dollar-based contracts leading to heightened but manageable geopolitical risk. Probabilistically, this remains the most likely outcome, monitored by the pace of American regulatory and investment action and absence of major military actions by adversaries. The escalation scenario (30%) is precipitated by perceived or real energy strangulation of China, with the crucial trigger being rapid SPR drawdown and visible shifts in Chinese military posture toward Taiwan. Economic and market impacts are potentially severe, with rapid price swings and policy reversals required. The de-escalation scenario (15%) would be signaled by multilateral negotiations on energy security or AI export controls, likely producing transient price relief but eroding US leverage. A black swan scenario (5%) might involve the sudden emergence of a viable non-dollar energy contract system or an unforeseen technological leap by rivals, undermining core US advantages and triggering a rapid reconfiguration of alliances and energy flows. Each scenario mandates different monitoring and response frameworks.

Scenario	Probability	Key Trigger	Market/Economic Impact	Recommended Action
US Dominance Maintained	50%	Accelerated US LNG build, absence of major adversary provocation	Petrodollar/LNG-dollar entrenched; stable market volatility; moderate FDI	Continue assertive LNG/AI expansion; bolster allied contracts
Escalation—China Shortens Taiwan Window	30%	Rapid SPR drawdown, China military moves on Taiwan	Oil/gas price spike, global risk-off, supply chain disruptions	Intensify intelligence sharing; prepare de-escalatory diplomacy
De-escalation/Negotiated Settlement	15%	Multilateral talks on energy, AI export controls	Moderate price relief; reduced US leverage; slow FDI pickup	Participate in negotiations; preserve strategic flexibility
Black Swan—Alternatives Disrupt Dollar Hegemony	5%	Sudden viable rival contract system; tech leap by adversaries	Sharp financial flows; new blocs; loss of pricing power	Accelerate own innovation/diversification; preemptive engagement

Probability: point estimate; Impact: qualitative assessment on global markets; Action: priority recommendation for US and allied actors.

Historical Precedents

Recent history provides critical parallels that illuminate present-day risk calculations and likely actor behavior. The 1941 US oil embargo, which drove Japan to initiate the Pearl Harbor attack, demonstrates how targeted energy strangulation can prompt not strategic patience, but aggressive, risk-acceptant military action when a rival perceives closure of critical windows. This precedent is especially salient when considering China’s calculus regarding Taiwan, and the role of its SPR stockpiles in providing limited-duration latitude for assertive moves.

The 1970s US-Saudi petrodollar agreement established the template for strategic linkage of commodity flows and currency dominance; its modern reincarnation in the LNG-dollar reinforces the notion that true monetary power stems from control of essential trade settlement media—making current challenges by BRICS currencies structurally limited. Conversely, the failure of the COMECON ruble, a bloc-centric currency never embedded in major energy trades, demonstrates the fragility of parallel systems without commodity-backing and widespread adoption. Today's initiatives for yuan or BRICS-bloc energy settlements face analogous obstacles.

Precedent	Year	Outcome	Relevance to Current Situation
US Oil Embargo & Pearl Harbor	1941	Embargo prompted Japan to attack; escalatory war	Energy strangulation can precipitate military escalation—China/Taiwan risk
US-Saudi Petrodollar Deal	1970s	Dollar entrenched as global energy currency	Model for current LNG-dollar & monetary-energy linkage
COMECON Ruble	Cold War	Bloc currency failed to supplant global energy trade	Warns against overrating BRICS alternative currency threats

Outcome: summary of historical impact; Relevance: specific lesson or warning for 2026–2030 scenario.

Risk Assessment

Risk	Likelihood	Impact	Mitigation
Accelerating geopolitical tensions and triggering desperate actions by rivals (China on Taiwan)	High	Critical	Establish cross-agency monitoring and enhance Indo-Pacific deterrence; prepare rapid de-escalatory measures.
Accelerated de-dollarization efforts in non-energy sectors	Medium	High	Negotiate favorable, long-term USD-denominated contracts; develop contingency plans for alliance fissures.
Over-reliance on energy leverage causes US 'resource curse' effects	Medium	Medium	Formulate strategies to diversify US economic strengths and invest in domestic innovation beyond energy and AI.
US overreach galvanizes adversaries, alienates allies leading to new opposing blocs	Medium	High	Diplomatic outreach to vulnerable allies, stress shared strategic interests, and offer diversified cooperation frameworks.

Strategic Recommendations

Immediate

- Aggressively expand US LNG export capacity targeting significant new capacity by 2028. (Owner: US Department of Energy / Department of Commerce) — Expected: Entrench US export dominance and strengthen dollar linkage in global energy markets.
- Intensify intelligence and cross-agency monitoring of adversary responses—especially China's energy, AI, and military posture. (Owner: National Security Council / DoD) — Expected: Early-warning for escalation triggers; calibrated deterrence posture.

Short-term

- Negotiate long-term USD-denominated LNG supply contracts with EU and Asian allies. (Owner: US Department of State / Commerce) — Expected: Stabilize allied supply and reinforce the LNG-dollar mechanism.
- Accelerate investment incentives for US domestic AI and compute infrastructure, focusing on resilience and energy usage. (Owner: Department of Commerce / Executive) — Expected:

Consolidate US compute leadership linked to energy leverage.

Medium-term

- Develop diplomatic and economic blowback mitigation plans to address de-dollarization and alliance fissures. (Owner: US Treasury / Department of State) — Expected: Preserve US influence, diversify strategic options, and respond flexibly to global shifts.

Limitations & Unknowns

- Precise long-term political alignment and production capacity of hypothetical post-regime change Iran and Venezuela remain indeterminate.
- Uncertainty persists around the exact timeline and magnitude of China's domestic renewable and nuclear energy build-out.
- Full impacts of assertive US leverage on the cohesion and speed of alternative economic or security blocs cannot be forecast with current data.

Verification Summary

Verified (7)

VERIFIED	US LNG export capacity is on track to rise 80% by 2028 (from 14 Bcf/d in 2024 to over 25
VERIFIED	China's SPR covers 96–183 days of import demand.
VERIFIED	Power of Siberia 2 pipeline (50 bcm/year) will not reach half capacity until 2034–2035.
VERIFIED	Qatar LNG recovery could take up to five years.
VERIFIED	US crude production is ~13.6–13.9 mb/d.
VERIFIED	Venezuela's oil production potential is ~3 mb/d with investment.
VERIFIED	Iran's current crude output is ~3.3 mb/d; total output, including condensate/NGLs, last

Contradicted (3)

CONTRADICTED	Claimed US LNG export capacity 'over 25 Bcf/d by 2028' is contradicted by some EIA
CONTRADICTED	China's oil imports via Hormuz previously cited as 35–45% in 2026—correct range
CONTRADICTED	Iran's post-regime change production potential was overstated at ~4 mb/d; latest