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Transition 2025: People Worth Watching

Key People to Watch in the Lead-Up to the Inauguration: Brian Hook

- In our first profile in our series on key people to watch in the Trump transition, we highlight someone well known to our RBC clients: Brian Hook.** One day after the election, the former US Special Representative for Iran and Senior Policy Advisor to the Secretary of State has reportedly been selected to lead the staffing transition effort for the Department of State. Beyond helping to vet the key political appointees that will shape the Trump administration’s foreign policy, we expect Hook himself to occupy a senior position in the next administration. At the top of his agenda will be bringing back maximum pressure sanctions on Iran and reducing the volume of Iranian barrels on the market. To that end, we think there will be a rigorous enforcement of the secondary sanctions that mandate significant reductions of Iranian imports and essentially force foreign entities to choose between doing business with Tehran and accessing US capital markets. We also anticipate a more vigorous policing of ship-to-ship transfers and the ability of foreign countries to act as an Iranian oil laundromat.
- A number of market watchers have suggested that it will be difficult to interdict barrels going to Chinese teapot refineries and questioned the efficacy of US sanctions. However, we believe the Biden administration made a choice to scale back enforcement of punitive measures in an effort to keep the market well-supplied and US retail gasoline prices contained.** Senior figures from the previous Trump administration have told us that a more concerted effort to enforce the full suite of Iran sanctions could potentially remove up to 1 mb/d in a six-month period. We have also heard that Iraq may potentially lose its exemption to import Iranian gas. Undoubtedly, the incoming administration will look to the holders of spare capacity to release more barrels to plug the Iranian gap. We could see the key OPEC players, on the other hand, waiting to see a significant and visible reduction before turning on the taps after the ill-fated summer of 2018 supply surge.
- Finally, we also suspect that advisors like Hook may be encouraging the Israeli Prime Minister to take more concerted action against Iran in the coming weeks.** Senior officials in Trump World have expressed a view that Israel has a historic opportunity to deal a decisive blow against the Iranian regime, given the losses its key proxies have suffered since August. Moreover, the firing of Israeli Defense Minister Gallant removed President Biden’s main interlocutor and source of influence in the war cabinet. We also know that President Trump has indicated that he would like Netanyahu to end the war before he returns to office on January 20th. Hence, our view is that the one-year conflict in the Middle East may actually be entering the most unpredictable period in these waning weeks of the Biden administration.

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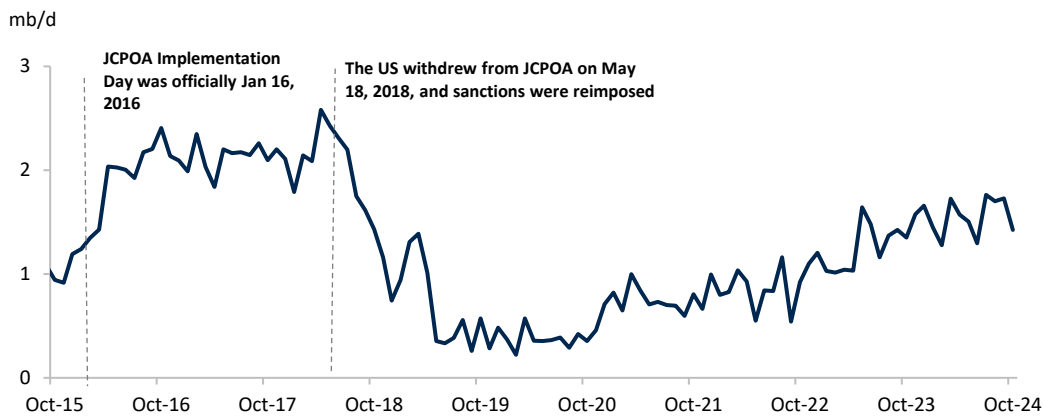
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Figure 1 - Iran Crude Exports and Key JCPOA Dates



All values in USD unless otherwise noted.

Priced as of prior trading day’s market close, ET (unless otherwise stated).

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Sources: Petro-Logistics, RBC Capital Markets



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