

by *SPEX Analysts*



The Pentagon

## From Shadows to Spotlight: Leaked Pentagon Documents Expose U.S. Intelligence Secrets

by **Rena Chen**

Leaked Pentagon documents recently surfaced on various social media sites, revealing extensive penetration of Russia's security and intelligence services by the US.

Russia has long been the focus of various U.S. intelligence efforts, and when Russia invaded Ukraine in February 2022, everybody expected the U.S. to send observers and spies into the warzones. However, how extensively the Pentagon undertook these operations and what information was being collected remained anyone's guess.

That is, until the leaked Pentagon documents provided insights into Moscow's military operations and revealed that the US warned Ukraine about planned strikes. The leak has the potential to harm Ukraine's war effort by exposing which Russian agencies the US is spying on, prompting Russia to cut off information to these compromised

sources. The effectiveness of US espionage may be reduced overall, giving Ukraine less information to work with when devising their military strategy. As a result, Ukraine was forced to change their battle plans almost immediately after the leak was exposed.

Perhaps even more damaging, the leaked documents revealed that the US has been spying on its allies. For example, the documents detailed information from internal debates in South Korea over supplying 330,000 rounds of shells for the war in Ukraine, which would violate their policy on providing lethal weapons for war. This possible reversal of South Korea's stance on supplying lethal aid may have implications for their reputation and foreign relations, as well as the broader dynamics of the conflict in Ukraine.

Furthermore, this information was collected through "a signals intelligence report," meaning that American spies intercepted communications, such as phone calls or emails. This deep level of espionage may raise questions about trust and cooperation between allies. In a time of international conflict with the Ukraine war and China posturing on Taiwan, it is especially critical for the US to maintain strong relations with its allies to respond to its enemies with a united front. Sharing intelligence information in particular requires deep trust among allies, who must feel secure in the secrecy of these reports. As a result, these leaked documents may cause a shift not just in the decisions of our enemies, but also in our allies.

However, US espionage is no secret. Our enemies and allies alike both expect some level of American surveillance. While the newly uncovered extent of this surveillance may change the behaviors of other nations, the effect will probably not cause any substantial policy shifts. Overall, the impact of these leaked documents may diminish over time.



Ukraine War

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Judge's ruling puts medical abortion access on the national platform

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A look onto the next big change in the Oil Industry



By Rohin Garg

### TIMELINE

**2000** – The FDA rules mifepristone safe for use in the US to terminate pregnancies up to seven weeks gestation. It can only be dispensed to users directly at clinics, doctor's offices and hospitals.

**2016** – The FDA updated and approved a new evidence-based regimen and drug label, approving the use of medical abortions for up to ten weeks of pregnancy.

**2021** – The FDA halts enforcement of the in-person dispensing requirements due to the pandemic, allowing mifepristone to be mailed to patients after telemedicine consultations. Medication abortion successfully terminates the pregnancy 99.6% of the time, with a 0.4% risk of major complications, and an mortality rate of 0.001%.

### 2022 (Dobbs vs. Jackson Women's Health Organization)

– The Supreme Court overruled both Roe v. Wade and Planned Parenthood v. Casey, returning power to individual states to regulate any aspect of abortion not protected by federal law.

**April 7th, 2023** – Texas District Judge Kacsmaryk sides in favor of anti-abortion groups, blocking the FDA's approval of mifepristone. In a dueling opinion, a judge in Washington ruled that the drug is safe and effective and ordered the FDA to preserve "the status quo" and retain access in 17 states.



Matthew Kacsmaryk: Trump-Appointed Christian Nationalist Judge



Mifepristone Tablets (Medical Abortion Pills)

Texas Judge Kacsmaryk's ruling has the potential to halt access to abortion pills for 58.8 million U.S. women of reproductive age who do not live in a state where abortion is banned.

400+ executives from drug and biotech companies issued an open letter condemning Judge Kacsmaryk's decision, stating it ignores legal precedent, and that any medicine is at risk for the same outcome as mifepristone if the court can just overturn drug approvals without regard for scientific evidence.

Legal experts have prompted the FDA enforce its discretion, meaning that if the Texas decision stands, the FDA can decline to pursue action against entities that dispense mifepristone. However, the White House said doing so would establish "a dangerous precedent" and that the administration will fight the ruling in court instead.

Many believe that Judge Kacsmaryk is overstepping the powers vested in him as a judge to conduct his own review of the abortion drug's risks and benefits. Congress has delegated such scientific inquiries to regulatory agencies and it is unbecoming of judges to redo an agency overview. The Chevron deference can be at play here, as it states that if legislative delegation to an administrative agency on a particular issue or question is not explicit but rather implicit, a court may not substitute its own interpretation of the statute for an interpretation made by the administrative agency.

In response to Judge Kacsmaryk's rulings, a three-judge panel of the 5th Circuit Court of Appeals temporarily blocked the judge's ruling that suspended the FDA's 2000 approval of mifepristone. However, by a 2-1 vote, the panel permitted other aspects of that ruling which counteracts a seven-year effort by the FDA to widen access to the drug. The abortion pill will remain on the market, but cannot be used beyond seven weeks of pregnancy and cannot be distributed by mail.

The Justice Department confirmed on April 13th that it will ask the Supreme Court to intervene immediately. Attorney General Merrick Garland stated that the US "will be seeking emergency relief from the Supreme Court to defend the FDA's scientific judgment and protect Americans' access to safe and effective reproductive care."

Ultimately, the same U.S. Supreme Court that struck down the 49-year-old precedent in Roe v. Wade may be in a position to act on abortion again. This move is crucial to the post-Dobbs landscape, which saw the Supreme Court gut Roe v. Wade, sowing chaos throughout the nation. What will the Supreme Court do this time?



by Andrew Lottich

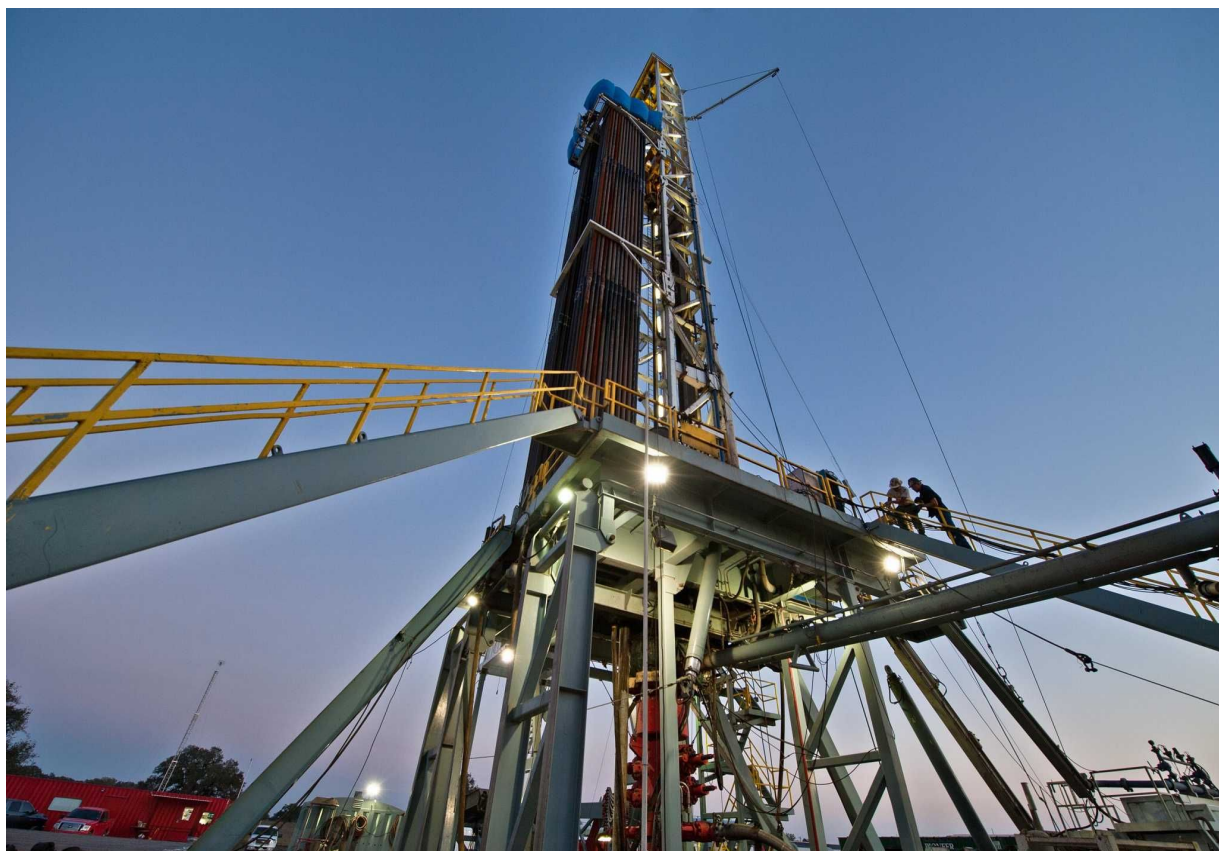
Last week, ExxonMobil Corporation, a multinational oil and gas company, held preliminary talks about acquiring Pioneer Natural Resources, a U.S. hydrocarbon company. These two industry giants generated over \$115 billion in revenue during the 2022 fiscal year.

Following an exceptional performance in 2022, Exxon has set its sights on expanding its operations and potential market share. The company's significant increase in cash will fund investments and expansions that will have domestic implications of higher fuel prices and regulatory taxes.

With the acquisition of Pioneer, Exxon, the sixth largest producer in the Permian Basin, would produce a combined 780,000 barrels a day, 400,000 barrels over the second largest producer. Pioneer is currently the largest producer out of the Permian Basin, the second-largest oil field in the world, and its addition will provide Exxon with market and pricing power to fortify their operations.

The FTC could potentially annul the deal as it would threaten the domestic market concentration. If the deal were to go through, a result may be gas price shocks with increasing demand for fuel and the increased market power of Exxon. A deal this size may raise regulatory attention similar to the taxes from the Inflation Regulation Act, as it would put more production into shale oil drilling, a form of oil that requires excess energy to extract.

The latest deal in the Oil and Gas industry was in 2019 where Occidental Petroleum acquired Anadarko Petroleum for \$38 billion. Occidental outbid Chevron's offer of \$33 billion for Anadarko which resulted in a \$1 billion breakup fee collected by Chevron. Although Occidental received Anadarko's 600,000 acres in the Permian, shareholders were concerned about the \$10 billion in debt taken to finance the deal. After oil prices collapsed in 2020 due to pandemic restrictions on the economy, Occidental remains haunted by the debt financing from the Anadarko deal. Shareholders have even exited the company due to the long standing risky capital structure that Occidental put their investors through following the deal.



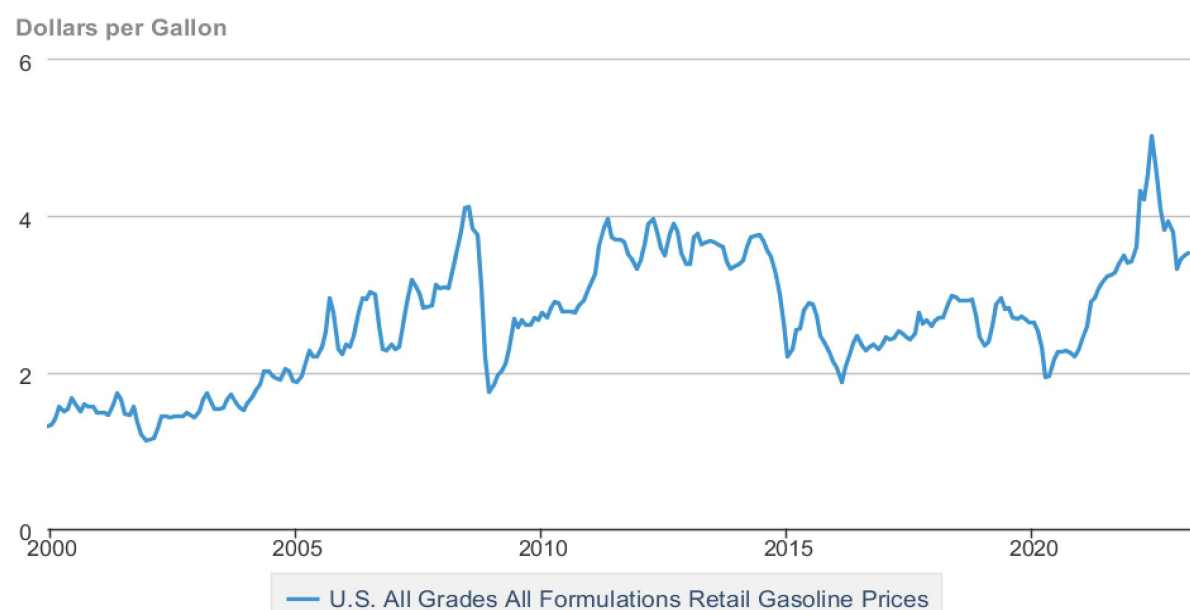
A Pioneer Oil Drill in the Permian Basin

There is a lack of support on the potential deal due to Exxon's previously failed ventures. The Russia-Ukraine War caused Exxon to terminate its partnership with Sakhalin, an oil project off the coast of Russia, resulting in a \$3.4 million accounting loss for Exxon and a large slash in oil barrel production. Nearly all of Exxon's employees in the Sakhalin project being Russian citizens, the war meant a complete halt of production as the U.S. went to defend Ukraine.

A Brazilian oil investment by Exxon last year failed for the third time since 2017 trying to find a large enough oil reserve to set up a project. This resulted in a \$4 billion accounting loss and another defeat for Exxon's ventures. Exxon currently owns a combined \$15 billion in assets in Chad, Cameroon, Egypt, Iraq and Nigeria but plans to sell them off in the coming year. The company is looking to shift their focus onto its most value assets like the Permian.

Nonetheless, a consistent track record of unsuccessful investments makes shareholders more risk-averse to the acquisition proposal. It is hard to predict the deal's impact for the domestic oil and gas industry, however, it is clear that a deal this size will undoubtedly test legislative regulation and fuel price stability.

#### U.S. All Grades All Formulations Retail Gasoline Prices



U.S. Gas price over time