

RAILROAD WEEK IN REVIEW

March 27, 2026

“Through a mix of climate ideology and ignorance of basic physics, so-called progressives eschewed domestic oil and gas production and refused to stock sufficient inventories for times of geopolitical stress, as though not liking something diminishes its essentiality. Their populations are now set to suffer.” — Doomberg, March 22

“Energy risk has not gone away. Even if the U.S. ends hostilities with Iran today, the damage has been done to energy infrastructure. We may not stay above \$100 for very long if there is in fact peace, but the likelihood of us returning to \$60 Brent is zero in my opinion for this year.” — Energy analyst Fernando Valle, on hedgeye.com, March 23

“Our focus on AI as a practical tool for early detection, pattern recognition, and operational discipline is exactly the perspective the rail industry needs. Highlighting AI’s strengths, rather than feeding fear, helps move the conversation toward real solutions that improve safety, reliability, and decision-making. I appreciate your clear, grounded approach and the way you push the industry toward accountability and actionable thinking.” — Val Kucherenko, Director Railway Education, Center for Railway Research & Education, Michigan State University

Reports of high oil prices seem more click-bait than anything. From Schwab’s Futures Page Monday, WTI crude per 1,000 barrels closed at \$90.78, Henry Hub nat gas was \$2.95 per MM BTU, and Brent still grabbed the market high price of \$102.68 per thousand barrels. In 2026, YTD through early March never got north of \$70.

All of which just goes to prove the old newspaper adage, “if it bleeds it leads.” High oil prices grab headlines; no change doesn’t. In a March 16 Grant Williams interview, Doomberg posited, “Energy is framed through a few simple axioms: energy is life, energy is fungible, demand for energy is inelastic, and energy companies lack discipline. From there, they explain why big price spikes in oil almost always lead to gluts: high prices eat into both supply and demand, so extreme levels like \$150–200 oil can’t last because people drive less, switch fuels, or simply do without.”

Meanwhile, it seems to me the “energy axioms” may be endangered. and it starts at the Pentagon. David Murrin, a British geopolitical and macro strategist, tells Grant Williams in their March 19 conversation, “Trump uses Hegseth as an attack dog and the sense of fear in the Pentagon is reportedly overwhelming — fear that your own command structure may be lopping you off. The fear should be from the enemy, not from the inside.

That fear has created a sycophantic culture both in the White House and in the Pentagon. And you never get natural, effective strategic planning when sycophancy and fear are the two currencies.” (I saw this written loud and clear at the battalion level and up in Vietnam.)

Iran — and others — are seizing military advantage to become stronger, faster, and more clever about offsetting US initiatives. But we are not without resources of our own. My sense is that the price spread between WTI and Brent crude will eventually close and US drillers will find that opening new drill holes and reactivating closed ones can be profitable. Just look at the FANG and RRC stock charts.

As noted above, oil commentator Fernando Valle doubts we’ll ever see \$60 WTI again. On the one hand, rampant destruction of oil-related infrastructure from Iran to Qatar will take years to replace. The cutoff of nat gas will impact fertilizer producers, and that could cut into North American crop plantings as it’s doubtful the combined Permian and Bakken fields can replace it quickly. Maybe those small-cube covered frac sand hoppers will find a new lease on life after all.

The current push for expanded data center footprints brings to the fore the need to convert energy from whatever source — coal, gas, solar, wind, hydro, etc. — into electricity. And I think whoever controls the infrastructure that converts energy into usable output will be the soonest winner.

Consider: Energy → Knowledge → Cash Flow. Thus whoever controls the power sources — generating stations, solar farms, hydroelectric, nat gas lines, and thermal coal sources — also controls the power that feeds the AI creators, and the knowledge issuing therefrom.

Companies like Tesla, Google, and Meta (Facebook et al.) have created their software magic to do their unique things. But all need electricity to do their magic. And to me, the one firm that controls pieces of all the energy-producing elements is Berkshire Hathaway. They already “cover the stack,” as a vertically diversified energy platform.

From the 2025 *Annual Report*, Berkshire Hathaway Energy (BHE) comprises regulated utilities (electricity = the substrate of AI/compute), renewables in wind farms, their own transmission lines (no bottlenecks), nat gas pipelines and terminal interests. All of which provide stable, rate-based cash flow tied directly to energy demand growth.

Then there are the energy-using subsidiaries turning energy into “things.” BNSF converts energy (diesel fuel) into position advantage — getting fuels from ethanol to coal from

where they are to where they are needed. Precision Cast Parts provides high-quality investment castings, forgings, fasteners/fastener systems. Lubrizol is a specialty lubricant maker. Marmon owns UTLX and its 18,000 tank car lease fleet. And that's just the tip of the iceberg.

BNSF does it all in-house: no investment bankers, compensation consultants, stock options, or an army of Wall Street "analysts." I think in the final analysis this flat, unencumbered organizational structure actually enhances capital allocation results, something that has been a Berkshire trademark since shifting from the textile business nearly fifty years ago.

And even though Warren himself has personally stepped down from the CEO role he had for so long, his successor Greg Abel makes no bones about continuing in this vein. In his first shareholder letter published just last month, Abel mentions capital allocation many times.

- * My role is to ensure our liquidity levels and capital deployment remain intentional and deliberate;
- * We deploy our shareholders' capital to opportunities that generate rewards commensurate with their risk;
- * Capital allocation principles and strategy guide us in identifying opportunities;
- * We invest in businesses that we thoroughly understand, with durable advantages and long-term economic prospects.

The thread throughout is self-generating the capital needed to support the enterprise, and BNSF is a major capital consumer — more than \$3 billion a year. Doing so means railroad operations must generate cash. That cash funds capital expenditures, and the residual defines BNSFs capacity to grow. In contrast to the market's preoccupation with EBITDA, Berkshire's new CEO presents a simpler equation—cash from operations as both starting point and scorecard. Clarity over complexity. Capital over narrative.

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