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CONTENTS

Letter From The Editor

A fundamental side effect of the countless post WW2 Aegean Sea crises involving NATO member states, Turkey and Greece, has so far been the drastic increase of exceptionally expensive arm procurements, mainly from the USA.

Due to its involvement in the Arab uprisings and the wars in Syria and Iraq, Turkey is lately also hard pressed from east, south and north and is looking desperately for scapegoats to cover its mistakes, to distract and to prevent the possible creation of an independent Kurdish state.

One route Turkey may pursue could be to cause trouble in the Aegean Sea and the Balkans, a possibility met with "neutrality" by Washington and with pro-Greek statements by Moscow.

President Vladimir Putin's forthcoming visit to Athens offers another opportunity for Ankara and "neutral" Washington to threaten the future of austerity-lashed Greeks.

As such, a repetition of another "sudden" aggressive reaction from Turkey in the Aegean Sea, is highly likely to transpire. After all, the recent developments in Turkey, including the political changes, the downing of the Russian airplane and its involvement in the Syrian crisis oblige us to seriously consider all possible scenarios, such as those of fatal "accidents", invasions against Greek islands, or even an uprising of the ever-increasing Muslim community in Greece.

For further information you can refer to eiranews.com.

Yours Sincerely,

George Hatziioannou
Editor

Bulgaria 'Diversifies' Eggs Into Several Baskets

The aspirations of Bulgaria to become a major regional energy hub have acquired some solid ground. By the end of April, nine companies have submitted non-binding expressions of interest (EoI) to book capacity in the Greece-Bulgaria gas interconnector (ICGB), which is in tune with the European Union's energy policies. The list of companies features UK Noble, Italy's Edison, Azerbaijan's Socar, Greece's Depa and Gastrade, Bulgaria's Bulgargaz, etc. The timeline stipulates submission of binding offers by mid-2016.

Bulgarian Prime Minister Boiko Borysov has long mounted a campaign, reaching out to Brussels as well, in favour of ensuring energy security in the mid-term (see. **"Bulgaria's energy agenda. The virtue of flexibility"**, http://www.eiranews.com/volume-3-issue-6/bulgarias-energy-agenda-the-virtue-of-flexibility/) by using every chance of bringing on board various suppliers, constructing a network of interconnectors linking up with Greece, Romania and Serbia, and earning revenues from tariffs to be paid by Austrian OMV for the use of Bulgarian pipeline network to channel gas produced at the Neptun concessionary block in the Black Sea.

Evidently frustrated by lack of viable alternatives of natural gas providers after the collapse of the South Stream project, derailed by the EU objections of its incompatibility with the Third Energy Package directives, Bulgarian PM dared to criticise the European Commission for applying double standards in its energy policy. In the words of Borisov, "it is not easy to explain to Bulgarians why South Stream is not of benefit for the EU, while Nord Stream is. Why this is good for Shell, while for Bulgargaz it is not."

This is the principal motive of Sofia endorsing the €220 million ICGB that will run 182 km from the vicinity of Komotini in Greece to the Bulgarian town of Stara Zagora (one of the ancient settlements in the Balkans). The original design of the interconnector envisages 4 bcma to flow from south to north with an ambitious plan to up the throughput capacity to 5 bcma by adding compression. ICGB has the full backing of the union's authorities in Brussels but only one fifth of the costs are due to be covered from the EU budget.

More importantly, Bulgaria might be entering unmapped minefield. A look at the composition of the ICGB shareholders detects risks. There are two of them: state-owned transmission system operator Bulgaria Energy Holding (BEH) and IGI Poseidon, registered in Greece, and comprised, as shareholders, of Greek public gas corporation Depa (50%) and EDF's Italian subsidiary Edison (50%). Three European companies joined Russia's Gazprom by signing a memorandum of understanding in Rome on 24 February approving of a project on delivering Russian pipeline gas to Italy via Greece.

The MoU specifies the construction of Interconnector Greece-Bulgaria with its Poseidon infrastructural link (see. **"Poseidon Pipeline: The Ghost Is Back!"**, Volume 4, Issue 3, March 2016). Bulgaria's energy minister Temenuzhka Petkova played up the prospects of ICGB specifying that Sofia views it as a contribution to security of supply and market development. But the devil hiding in the fine print raises the usual crucial question: what would be the origin of gas to fill in the ICGB? Where would it come from?

The answer was provided by Bulgarian PM in an interview with Deutsche Welle on 5 January 2016. Borisov placed bets on gas pumped along the EU-supported Southern Corridor from Azerbaijan's Caspian offshore fields, and possibly from Turkmenistan (provided Azerbaijan and most notably China allow it), and also from the new offshore discoveries in the Bulgarian and Romanian sectors of the Black Sea. Apart from the politically accepted sources, PM Borisov would not exclude receiving some gas from Russia. In total, it would elevate Bulgaria to the status of a regional energy hub, eventually covering all the domestic energy demand and forcing neighbours to count with Sofia's interests.

This is where Poseidon comes in, being technically feasible: the only amendment of the 787-km Interconnection Turkey-Greece-Italy (ITGI) would be to implement the concept of a

Vertical Gas Corridor. The entry point for imported gas would be at Greece's border with Bulgaria rather than at Greece's border with Turkey (see. **"If Poseidon sinks, will it please the Greek gods?"**, Volume 4, Issue 4, March 2016). But then again, where from would the base load capacity come from?

Since last autumn when Russo-Turkish relations have sunk to its lowest level after the Turks shot down a Russian jet, PM Borisov kept pushing for the revival of the aborted project South Stream, but under a different name. The attempt by Russia to replace it with a Turk(ish) Stream stumbled over the current Cold war with Turkey.

Now, PM Borisov would like to capitalise on the momentum and keeps regularly marketing Bulgaria as the best destination for the offshore trunk pipeline to reach after crossing the Black Sea from the gas terminal built at the Russian city of Anapa. Local media have already picked it up and widely use the term 'Bulgaria Stream', thus hinting that it is not a mere phantasy.

Energy experts point out that since the preparatory works on the now defunct South Stream, the European consortium that planned to construct the offshore section had ordered some €1bn of pipe for the first 15.75 bcma string of the overall four-string pipeline and a further €0.8bn of pipes for the second string. Most of steel hardware is stockpiled in the dockside at the Bulgarian seaport of Varna.

There is a certain degree of business sense that three European energy companies with Bulgarian BEH 'leading from behind' decided to diversify their eggs into different baskets. John Roberts writing for Natural Gas Europe sees the rationale for Russia's Gazprom in "lessening Italian opposition to Nord Stream 2 by delivering more gas to southern Italy, thus supporting Italy's ambitions to become a major gas hub."

Yet, Roberts just like many other energy market observers remains basically sceptical on whether this is fair play, quoting an unnamed corporate source: "This is mischief making by Gazprom." Moreover, European Commission and US officials keep likening the Poseidon project to "a white elephant" and voice their staunch opposition. Whether or not Bulgaria and Greece would be allowed to proceed with the dissident energy policy and show eagerness to embrace Russian gas, will depend of several factors: the actual potential of the Azeri Shakh Deniz II field to increase output, the price 'at the end of the day' for American LNG reaching Europe, the prospects of filling in the interconnectors in South East Europe with gas sourced from reliable producers, and last but not the least the effects of climate change distorting the textbook weather patterns.

To Drill Or Not To Drill? Italy Overcomes Confusion

That is the question put to Italians on April 17. They were invited to a referendum to decide what to do with the 92 offshore drilling platforms, which are producing hydrocarbons in the country's territorial water. Most platforms belong to the national energy major, Eni.

The story is a typically Italian one, where the core problem doesn't matter much but the buzz is around the attached topics.

These offshore platforms are providing only 1% of the national oil consumption and 3% of the national natural gas consumption, or yearly 4 million barrels of oil (60% of the local production) and 2.7 billion cubic meters of gas (73% of the local production). These volumes are far from being critical for the country's energy balance. However, it led to a major political battle.

To put it simple, the referendum had to decide if the offshore oil and gas production should go on until depletion of the deposits or it should stop at the moment when the concession expires and not be prolonged. The first expires as early as in 2018, the last in 2034.

The ideological undercover for the referendum was linked to ecological concerns. Promoters were saying that the offshore drilling might bring heavy pollution risks, especially for sandy beach resorts on the Adriatic coast.

Then, they were pushing for cutting hydrocarbons from energy generation and for switching to more renewables. In 2014, the renewables amounted to 37% of the energy production in Italy, with the hydropower being its main source. However, that source is not able to produce stable volumes of electricity and is still heavily relying on subsidies.

But the biggest factor at stake was political.

The referendum was the first in Italian history organised by regional administrations. Before, such consultations were called through the procedure of a popular initiative, now some local elected bodies used the right to organise and administer it. From that perspective the vote was perceived as a tug of war between the Government in Rome and regional governors, since some of referendum's initiators come from the same national centre-left majority.

That situation was also used by foes of the Prime Minister Matteo Renzi and his team inside the governing Democratic Party. The referendum was a kind of showdown within the majority and each side wanted to score a victory.

The official parliamentary opposition, institutional and radical ("Five Star Movement"), also seized the opportunity to weaken the Government. Some were very active, others were more cautious: they have no desire to act against the powerful oil lobby and oil companies. It was very beneficial before municipal election in many important cities, due at the beginning of June 2016.

It should be also mentioned that the offshore hydrocarbon production is generating more than 11,000 direct jobs, and an estimated 140,000 indirect jobs. All involved sides, including local magnates, were keeping in mind the need to preserve employment in their electoral circumscriptions.

The battles on the eve of the referendum had a typically Italian backdrop: a magistrates' team was investigating, in the southern region of Basilicata, on some supposed wrongdoings linked to offshore drilling. Some personalities and important companies were under scrutiny. Promoters of the "yes" vote supporting the end of drilling had an intensive proactive campaign, pushing Italians to support their 'green' ideas. The goal was not only to obtain the majority at the referendum but also to mobilize the electorate. The Italian law stipulates that the referendum is valid only with an at least 50% participation.

The Government and some silent forces from the "no" camp preferred not to go publicly against the politically correct 'green' ideas, but simply to downsize the event, pushing voters to abstain, to stay at home on a sunny spring Sunday.

Finally, that tactics proved to be the winning one. The majority of voters (roughly 80%) supported the "yes" proposal, but the participation was of only 32%. As result, the national drilling laws stayed as they were, the Government's interests were not damaged, but all the opponents, internal, regional and institutional, found themselves weakened as a result.

The jubilant Prime Minister seized the momentum and pushed with his reforms agenda. He started the final stage of a delicate political reform, which is aimed to basically abolish the bicameral Parliament, which is seen as one of the institutional causes of the legendary Italian political instability. The Constitution gives both chambers, the Chamber of Deputies and the Senate, elected through different mechanisms, equal rights. In the atomised multiparty system it often leads to strangely formed majorities in the Chamber, which makes it sometimes impossible to work out a coherent policy. The majority may depend only on few unpredictable votes. The proposed reform basically reduces the power of the Senate, which will become a decorative elected body. The final battle is set for the next fall.

However, during the referendum campaign the Government lost one of its important figures, Minister of Economic Development, Federica Guidi. The publication of an intercepted phone call with her boyfriend, Gianluca Gemelli, placed at the end of 2015, obliged her to quit.

On the phone, she told him that she pressed for changes in the drilling law that served his business interests by engaging with the Minister of Reforms and Relations with the Parliament, Maria Elena Boschi. The problem was that Mr. Gemelli was at that moment involved in the Basilicata investigation. His company was a contractor to the French energy major Total, extracting offshore oil there.

Mrs. Guidi was not the target of that leakage, but Mrs. Boschi, a powerful personality in the Government. She is the author and the main promoter of crucial but controversial reforms, including changes of the labor market and of the electoral system.

* * *

It should also be mentioned, in all fairness, that the safety of offshore drillings is discussed not only in Italy.

In France, in April the Minister for Ecology and Energy, Ségolène Royal, decided on a moratorium on delivering permits for hydrocarbon prospecting in French waters. She will ask partners to apply that moratorium to all the Mediterranean Sea, in the framework of the Barcelona Convention about the protection of the marine environment and the Mediterranean coast.

Before that, in January 2016, the then designed Prime Minister of Croatia, Tihomir Orešković, while presenting his Governments' program said he would proclaim a moratorium on projects of hydrocarbon exploration and production on the Croatian coastal zone.

Yemen: Game Over, Or Is It?

The Saudi military intervention in neighbouring Yemen in 2015 turned to be a major mistake of the Kingdom, already cornered by a number of problems on different fronts. Now, Yemeni peace talks have been initiated in Kuwait to find a way out of the bloody conflict.

Iran's comeback to the world stage, setbacks on the Syrian battlefield, falling oil prices and revenues, under-the-carpet tensions within the Sunnite Arab nations, unruly jihadists posing an existential threat to the regime, growing misunderstanding in relations with the United States, main external protector (US President Barak Obama recently called the desert kingdom a 'free rider'), all of these factors challenge the House of Saud under the rule of the new king Salman.

The intervention in Yemen started almost a year ago and was perceived, at the beginning, as an easy military operation. Riyadh mobilised a large coalition but Pakistan that was supposed to be the main striking force declined the invitation to participate in the intervention. The officially declared goal was to reinstall President Abed Rabbo Mansour Hadi, ousted by the Houthi rebels, coming from the North of the country.

The new Head of State for Yemen was selected and imposed by Saudi Arabia, but he failed to gain popularity. The Houthis, a kind of Shiite branch of Muslims, were supposed to be Iran's proxies and allegedly had the support from some units of the split Yemeni army, the ones that swore allegiance to the previous ruler, President Ali Abdullah Saleh.

In fact, only the UAE and their Western, mostly Colombian mercenaries have effectively contributed to Saudis' war in Yemen.

Military operations and bombing campaign showed the weakness of the expensive but clumsy Saudi war machine. The combined forces led by Riyadh ousted the Houthis' militia from Aden and some other Southern zones after a lot of heavy fighting and installed President Hadi. However, they were not able to advance toward Sanaa, the capital city, and were stopped at Taez, a strategic city. Some Saudi airstrikes happened to hit civilian targets causing casualties. According to the UN estimates, civil war in Yemen has claimed some 6,000 victims; the humanitarian situation in that poorest Arab country is appalling with the essential infrastructure facilities completely destroyed.

Simultaneously, the jihadists' groups present in Yemen have taken advantage of the new balance of power and strengthened their grip on some territories. The most notable beneficiary was Al-Qaeda of the Arab Peninsula, or AQAP, the most efficient franchise of that radical movement. AQAP controls large areas in the South, with

Mukalla as its stronghold. The Islamic State also made an 'appearance' in Yemen.

Since the Saudi-led coalition was not targeting jihadists, it gave ground to speculations that it was on the same side with the extremists that were also fighting the Houthis. Noteworthy, the city of Mukalla was attacked at the end of April by the Saudi forces, right after the visit of President Barak Obama to Riyadh. It was the first ever operation by the Saudi armed forces against jihadists in Yemen.

However, today it is clear that the yearlong Saudi military intervention stumbled into a stalemate, thus aggravating the resolution of other pressing issues, which are far more dangerous for Riyadh.

The launch of the negotiation process provides the first chance to achieve a peaceful settlement.

In December 2015, a previous attempt suffered a setback. Now the talks were preceded by direct contacts between Houthis' representatives and the Saudis, and it produced an initial agreement to secure the borderline between Yemen and Saudi Arabia, and exchange prisoners.

The negotiations in Kuwait are in line with the UN Security Council Resolution 2015. The UN mediator Ismail Ould Cheikh Ahmed expressed hope that the ceasefire could allow the delivery of humanitarian aid to Yemen, and in midterm create a transitional government, launch an internal political dialogue, and settle all the problems caused by violence, chaos and devastation.

However, not all actors are willing to bring the situation to normality. The ousting in April by Mr. Hadi of the Vice-President and Prime Minister Khaled Bahah and his replacement by General Mohsen Al-Ahmar is seen as a challenge to the success of the peace talks. General Al-Ahmar is believed to be on good terms with some jihadists' groups and he is hated by the Houthis. It makes the task of reaching a comprehensive agreement between the warring parties problematic.

Anyway, if the Yemeni conflict is settled or, at least, temporarily frozen, it would be a modest diplomatic success for Saudi Arabia.

Saudi Arabia And Egypt Filing For Divorce

Political alliances in the Middle East are fluid as sands in deserts.

A couple of years ago, Egypt and Saudi Arabia seemed to be friends forever. The Wahhabi kingdom helped (and financed) the ousting of the President of Egypt, Mohammed Morsi, leader of the Muslim Brotherhood movement. The coup was led by a secular military chief, Abdel Fattah Saeed Hussein Khalil el-Sisi. The ousting of Mr. Morsi upset the US Administration, and Saudi Arabia contributed to calming the Americans.

At that time the Saudi leadership was ready to do everything to wipe out the Brotherhood, perceived as a dangerous political challenger of the House of Saud. There were even rumours that Saudis financed a bizarre deal: Egyptians bought two ice-class Mistral helicopter carriers, originally built in France for Russia and not delivered because of the Ukrainian controversy.

Now policy priorities have changed, not only in Riyadh but also in Cairo.

The big divide emanates from the Syrian crisis and from different challenges threatening regional players. The new Saudi king, Salman, revised attitude towards some countries, Egypt included, and the Muslim Brotherhood. The Syrian conflict diverged former allies into different camps; however, it's not the only dispute that draws them apart.

Mr. el-Sisi sensed the change of mood in Riyadh and started to look to Moscow, reduced its participation in the Saudi's military campaign in Yemen against the pro-Iranian Houthi militias.

Basically, the new Egyptian regime was challenged, inside and outside, in Libya, by jihadists of different branches, most of them being ideologically close to the Saudi regime. Saudi Arabia financed and armed some groupings in Syria and elsewhere, using them also as a weapon against Iran, its biggest regional rival.

In that optic, the Saudis saw all Iranian allies as enemies. They were leading the fight against Bashar al-Assad regime and its Shiite allies, and found themselves in the same camp with jihadists, Turkey and Qatar.

On the contrary, Cairo decided that Mr. al-Assad was a better choice than its Sunnite radical enemies who are also fighting Mr. el-Sissi's troops in Sinai and are destabilising his country.

It should be also noted the relations between Egypt and Turkey have also suffered from the changes of alliances. The two leaders, Mr. el-Sissi and Mr. Erdoğan, remain hostile to each other since mid-2013.

Another source of controversy between Egypt and Saudi Arabia is Iraq.

Egypt supports the regime in Baghdad seeing it as a better alternative to IS, Al-Qaeda and similar radical organisations, which pose a threat inside the country. Egypt even turned a blind eye on the current close relations between Iraq and Iran. Saudi Arabia is desperately scared of the Iraqi-Iranian alliance and does its best to break the de-facto territorial continuity of the Shiite community.

Less known is the Saudi-Egyptian controversy over Ethiopia. The government of that country is building a big dam, the Grand Ethiopian Renaissance Dam, which will take much of the water now going to the Nile. Egypt fears that the level of Nile's water could drop with unpredictable consequences for the agriculture and everyday life of Egyptians. El-Sissi tried to persuade Saudis to sponsor some alternative projects in Ethiopia but didn't succeed.

Now Egypt and Saudi Arabia are finding themselves on opposed sides of the main conflict in the Middle East, although they try to keep doors open: recently, they announced a major project to build a bridge between the two countries, across the Red Sea. But some provisions of the deal sparked complaints and protests.

Regional bloodshed and its endurable duration are the result of deep internal conflicts within the Arab world, perfectly illustrated by the end of the 'love story' between Cairo and Riyadh.

Moods and alliances, in the Middle East, are as fluid and moving as sands in deserts.

Saudi Arabia To Scrub Off The 'Resource Curse'

Watching with carefully hidden uneasiness the controversial mid-term result of depressed global oil prices, that the Kingdom of Saudi Arabia has heavy-handedly imposed on OPEC, leaders of the desert monarchy have proclaimed an unrivalled ambitious plan, named Vision 2030, to reform itself from within, restructure oil-dependent economy and emerge as a beacon of the 'brave new Arab world' (whatever it might mean in this case) in a matter of just 15 years.

The brains or at least the driving force of the reformist wing under the roof of the House of Saud is indisputably Deputy Crown Prince Mohammed bin Salman. The Prince promised "urbi et orbi", in other words to King Salman's loyal subjects and the outer world that by 2020 Saudi Arabia will no longer be hostage to the volatility on the oil markets because oil production will be dethroned from its present dominant position as the main revenues-generator and, as such, the bread-earner for the local elites and wider population.

Basically, it is not only about oil abundance that is both a blessing and a scourge. Vision 2030 is placed squarely on three elephants nicknamed 'vibrant society', 'ambitious nation' and 'thriving economy' with each of these notions requiring to be deciphered.

The first pillar is 'vibrant society' defined as unique social and cultural values of Saudi Arabia with its King as the Custodian of the Two Holy Mosques. The authors of Vision 2030, reportedly Western consultants hired by Prince Mohammed, emphasised the deep-rooted national identity.

Most probably this notion has primarily religious overtones and is addressed specifically at Ummah, the worldwide community of Muslims, with all infidels excluded.

The second element of the Vision 2030 is 'ambitious nation' understood as reshaping the central authorities to adjust them to the modern times by making them accountable to the public, as well as tearing part the red tape and upgrading its efficiency.

The content of the third component is easier to classify and digest. 'Thriving economy' entails improvement of business environment, in particular, investment climate to attract foreign capital. It lists as a priority diversification of the economy in order to scrub off the "energy scourge", better known as the "resource curse", and create new sources of revenues. The Kingdom plans to surge the share of non-oil private sector GDP from 40 percent to 65 percent.

For the purpose of invigorating and reshaping the economy the royal reformers plan to mobilise "local talents" and lure to KSA gifted high-quality labour force but on a selective basis.

Just like in any teleological ambitious plan the main challenges are either ignored or deliberately played down. In the case of Vision 2030, there is no answer to the question how to counter the depressed oil prices' environment that pushes up debt and lowers gross domestic product. The KSA government has been maintaining growth through spending and subsidies from the budget that for the last 5 years has been filled by 87 percent through oil revenues.

Shifting the balance within the economy in favour of non-oil sectors would require not only the establishment of a sovereign wealth fund to finance the structural reforms but a tedious long-term program of educating a new generation of home-grown entrepreneurs and managers. It requires a lot of effort and, most importantly, time.

At present, most locals are employed in the public sector enjoying a high standard of living not necessarily reflecting their exceptional educational and training skills. On the contrary, in the private sector the workforce is mostly expatriates (80%). Diplomas, expertise, and experience substantiate their credentials.

The tight labour market is characterised by a delicate demographic situation. With unemployment among the Saudis under the age of 30 reaching 29%, creating new jobs for young people, who are not only willing but also capable of doing a job that demands special skills, would be top priority for the KSA government. How exactly this economic and social issue will be tackled, remains a mystery.

Moreover, genuine structural reforms and even palliative reformatting of the oil-addicted Saudi economy would require a liberalised business environment. Liberalism even applied in homeopathic dozes changes the fabrics of the society. Is it feasible in the case of the desert kingdom?

Prince Mohammed made it clear that any additional influx of non-Saudis would be subject to strict control and limitations. The more so, the society that swears allegiance to the stringent guidelines of Wahhabism will be protected from those who do not share these life principles. To quote Prince Mohammed, Saudi Arabia "will be open for tourism again on a selected basis" meaning that tourists would be allowed to visit KSA "in accordance with our values and beliefs."

Whether or not it is prejudice haunting our West-centred mindset, the doubt regarding the compatibility of Muslim states, still heavily leaning on religious dogmas, with 'modernity' is still appropriate.

"How can we believe in the massive planned changes in the social structures of Saudi Arabia, its emergence as a global investment power, when its monarchy is locked into eternal marriage with the same crude Wahhabi faith practiced by the Taliban, al-Qaeda and Isis?" Robert Fisk, the most insightful analyst with The Independent of London commented on Vision 2030.

It should not be forgotten that for the moment

KSA is a country at war. Riyadh is involved in the conflict with the tribes of Houthis in Yemen, although the Saudi military operation has been suspended given its unconvincing effects, and is still supporting some rebel groups in Syria who are fighting to topple the regime of al-Assad.

Two unfinished conflicts with an open-end post war settlement pose a challenge for the House of Saud. It is in danger of over-stretching resources and involuntarily destabilising its Shiite-dominated oil-rich Eastern province. With two unfriendly neighbouring countries, which will hardly warm up to Saudi Arabia in the foreseeable future, the reformists in Riyadh cannot count on foreign investors simply neglecting the risk of hostilities being renewed at any time.

Nevertheless, the overall rationale of Vision 2030 is indisputable. Scrubbing off the "resource curse" is a must for Saudi Arabia, and it is exactly what the Kingdom intends to do. (see. "**Oil and turmoil: back to basics? Not yet",** Volume 4, Issue 5, May 2016).

À propos

There is another nagging suspicion: Vision 2030 might be an argument to support the allegations made back in 2004 by oil analysts Matthew Simmons that KSA is nearing its "peak oil" and that some of its oil fields were "already damaged by using salt water to maintain pressure", as Robert Fisk noted in his article.

Moreover, last year WikiLeaks disclosed a dispatch from the US embassy in Riyadh warning that the actual volume of recoverable oil reserves in the Saudi desert could be 40 percent less than estimated.

If this is true, KSA has truly no alternative but to switch from oil-derived revenues to other sources of income. The goal is selected correctly albeit no detailed roadmap has been unveiled so far.

Oil And Turmoil: Back To Basics? Not Yet

The political reverberations of the aborted deal on the joint and coordinated freeze of oil production at January level due to have been signed on April 17 in Doha (Qatar) are still felt across the oil-producing and exporting nations. Hopes of a regulated re-balancing of the global market were instantly sunk by the last-minute refusal to join in by the Kingdom of Saudi Arabia (KSA).

The Saudi "No" derailed one of the most daring and promising initiative on the global energy markets that would have benefited both OPEC and non-OPEC exporters, including the United States keen on making money on oil shipment overseas. According to official statements and media accounts, prior to the crucial meeting in Doha every minute detail has been deliberated to accommodate divergent stances and interests, and carefully phrased with no visible stumbling block in the way.

No one else but Saudi oil minister Ali Ibrahim Al-Naimi, the omni-powerful crude market shaper, was confident that the deal on the freeze was ready for signing. It was reported that Saudi government officials reviewed early drafts of the Doha declaration the night before the meeting and found it acceptable. Moreover, Al-Naimi dismissed early demands that Iran should accept self-imposed limitations along with the others, saying this was not a prerequisite.

Then out of the blue "enters the dragon". That is Deputy Crown Prince Mohammed bin Salman, the risen star of the House of Saud, who is in charge of the state oil monopoly, the public investment company, economic policy and, on top of it all, is the minister of defence. Prince Mohammed effectively blocks the Doha deal by insisting that all OPEC countries, including Iran and Libya, commit themselves to the output freeze.

This last minute volte-face became an explicit deal-breaker. Tehran had made it clear on many occasions that it had no intention to curtail its gradual oil production surge in the wake of lifted sanctions. Iranian officials were adamant on this issue claiming that curbs do not correspond to their strategic goal of upping production to the pre-sanction level of four million barrels per day. One might say for the Persians this goal is as holy as Quran itself.

It is inconceivable that Riyadh was not aware of the strong opposition to the deal by Tehran. No less credible is the assumption that Saudi policy-makers were negligent of the fact that Libya does not exist nowadays as a unified and governed state with control over its oil production from the wells to port terminals.

So what happened? Although Saudi Arabia is fully comfortable with oil traded at around $100 per barrel, since it allows the kingdom to perfectly balance its budget, despite the fact that currently it incurs losses, its leadership chose to prioritise political goals.

It happens against the news of a first international borrowing in 25 years: KSA is raising a five-year loan from a consortium of global banks to the sum of $10bn. Not much per se but it is a worrisome precedent proving that dwindling oil revenues and reserves take its toll (see. "**Saudi Arabia to scrub off the 'resource curse'",** Volume 4, Issue 5, May 2016).

However, Riyadh seems to be determined to stay the course of low oil prices to reach the long-term goal of bankrupting American marginal shale oil producers and prevent Iran from reaping the benefits of lifted sanctions. Besides, it looks like a demonstrative move to show who is the boss on the global oil market. To sort out the dominant verdict passed by the overwhelming number of global energy experts one needs to reads the headline in The Wall Street Journal: "Saudis Mix Politics and Oil Policy."

A somewhat extravagant suggestion was voice by a Moscow-based energy expert who believed Tehran attempted thus to pressure Russia into choosing between Saudi Arabia and Iran. Under this scenario, Al-Naimi was allegedly playing the "good cop" with Prince Mohammed reserving the crucial role of the "bad cop". In theory, the fierce rivalry with the Shiites in Tehran is becoming 'something over the top' with Riyadh becoming even more frustrated after nervously seeking assurances from the visiting U.S. President Barack Obama that the United States has not changed sides. Seeking and – ending up disappointed after being lectured on the necessity to dampen tension and restore stability in the Middle East.

Antoine Halff, oil economist and fellow at Columbia University's Centre on Global Energy Policy, concluded, "the signs of tensions within the kingdom and the willingness to politicise oil production, the mixed signals and flip-flopping really have an impact." Amrita Sen, chief oil market analyst at Energy Aspects Ltd., expressed the same opinion noting that Saudi oil strategies, recently, have been subjugated to purely political considerations.

More importantly, the Doha aborted drive to set up sort of an OPEC-2 cartel provided even more fodder for deliberations. Oil price volatility followed an already forgotten pattern of behaviour. Despite the collapse of the output freeze, oil prices hit their highest in almost six months. International benchmark Brent crude surged over $47 per barrel. The US marker West Texas Intermediate exceeded $45 per barrel, which was the highest since November 2015. The market started to re-balance irrespective of the outcome of the Doha deal.

It would be fair to assume that despite its controversial nature the KSA strategy to depress oil prices might be seen as paying off.

On the one hand, the immediate statistics on the pulsating US stockpiles sends controversial signals. With no more Federal Reserve's policy of Quantitative Easing that used to flood financial institutions with capital, increasing lending and liquidity, which boosted sales and purchase of oil futures pushing up prices, a stronger US dollar became a more sought-after commodity than oil.

On the other hand, in some oil-consuming nations like China demand for crude, which is cheap compared to previous benchmarks, is gaining momentum. In the first quarter of 2016, China's oil imports surged. In many oil-producing countries like Russia the production has reached its peak and has not potential for growth. A number of the US shale oil producers are deep in the red and on the brink of insolvency. Around the world, investment into capital and technology-intensive projects like shale oil and shelf development have been postponed.

When summarised, the effect of these corrections lightened the pressure of the overstocking, which in early January amounted to some 2 million barrels per day. The forecasts now take into account the forthcoming limitations on oil supply. The steady upward push of the oil prices in the last months was largely dictated by the expectations shared by many traders that global oil surplus would dilute in the second half of 2016.

Nevertheless, it is not yet the comeback of the fundamentals. The factors affecting price volatility list many elements like resurging production in Iran and Iraq, actual level of oil output decline in the United States, and pace of the global economy recovery.

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