Naimi in Yamani's Attire; Are Authorities in Riyadh Witless or Lying?

By Seyed GholamHosein Hassantash*

History is being repeated. Twenty some years ago, Zaki Yamani, the veteran, former oil minister of Saudi Arabia, suddenly awoke to OPEC's need of *Market Share*, and now Ali Al-Naimi is waking up to the same need!

As a result of the policies adopted by the major consumers of crude oil, i.e., the industrialized countries, which stemmed from the 'oil price shock' of 1973, demand for OPEC oil started to decline from 1980.

The rise in the price of oil had made its production in the non-OPEC regions of the world economic, and hence huge investments had been made for that purpose. If OPEC had reduced the price of oil from 1975, such investments would not have been possible and the Organization would have retained its *Market Share*. But apparently only in 1986 did Yamani come to the realization that the high price of oil had provoked investments in 'energy efficiency', in 'other sources of energy' and in 'non-OPEC oil'. But by then it was too late; all those investments had already taken place.

It has to be remembered that from 1980 to 1986, it was Saudi Arabia that had reduced its crude oil production more than any other OPEC member and had thus opened the way for non-OPEC oil. This means that Saudi politicians were either foolish or *Market Share* was just an excuse and they were lying!

Later on however, it was revealed that Yamani and other Saudis were not all that dumb and retarded and *Market Share* was just a cover for a CIA-Saudi conspiracy to cause the fall of oil price so as to achieve a three-fold strategy: to force Iran to accept the UN Security Council Resolution to end the war with Iraq, to expedite the downfall of the Soviet Union and to put pressure on Colonel Gadhafi of Libya, who was fiercely anti-Western.

Al-Naimi has followed in the exact footsteps of Yamani. Seven or eight years have passed since huge investments were made in the shale oil and gas of the U.S. and in the Canadian oil sands. Right now, when the needed technology for the purpose is adequately developed and the required infrastructures are all in place, Al-Naimi suddenly remembers, at the 166th Meeting of the Conference of OPEC (held around the end of November 2014), that oil prices of over $100 per barrel have made its production from those sources economic?!?

While Saudi Arabia has all these years constantly claimed that it has 1.5-2 million barrels per day (mbpd) of excess production capacity, the market has now proved that a mere 1-1.5 mbpd of surplus oil can reduce its price by 30-40%. That means Saudi Arabia could have just used 1 mbpd of that excess production to cause oil prices to fall and make those investments in shale and other unconventional sources of oil and gas unviable.

Therefore, it can be deduced that either there is yet another conspiracy to reduce the price of oil or the authorities in Riyadh are even more dimwitted than those of Yamani's period, especially when they have the experience of the past at their disposal, too. Or, it can at least be concluded that the Saudis were lying about the existence of their excess oil production capacity.

The past records show that the rulers of Saudi Arabia have always defended and looked after the interests and the energy policies of the West, particularly that of the U.S., and to that end they are even more Catholic than the Pope!

On the other hand, the U.S. policy of 'energy self-sufficiency' is a strategy that is supported by both the Democrats and the Republicans, and the dominance of the latter over the Congress will not hinder the continuation of production from those unconventional sources of energy.

Thus, it is very unlikely that Saudi Arabia would be bold enough to simultaneously take on Russia, the U.S. and eight other OPEC members who support the high price of oil, especially when the Middle East is in turmoil. That means the Saudis policy of *Market Share* is probably again a cover for a new conspiracy, chiefly against Russia.

Or, perhaps the crucial point is that the final production cost of shale oil has already been sufficiently reduced and the fall of oil prices does not harm continuation of its production, but can accomplish other tasks as well.

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