



Gulf Research Centre Cambridge
Knowledge for All

Workshop 1

Challenges Facing GCC Oil and Gas Exports

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Abstract

The countries of the Gulf Cooperation Council (GCC) have to seriously face near- to long-term challenges affecting the export of their oil and gas. On the global level, the continued shale oil and shale gas development and production as well as higher export of liquefied natural gas (LNG) from outside the GCC have been challenging the region's oil and gas exports by decreasing its market share and reducing its main revenue streams.

Regionally, the GCC has had growing concerns about the impact of the expected strong return of Iran on the international arena and in the global oil and gas market following the 2015 nuclear agreement. Such a development would increase the worldwide oil and gas supply (and competition), push down the prices (and revenues) further, and, ultimately, lead to a weakening of the strategic significance of the GCC countries, a decline already felt as a result of the shale oil and gas revolution.

In the domestic arena, the growing local demand for petroleum products in the GCC, resulting from low domestic prices, has been eating away its export capabilities and revenues. In fact, there has been a clear and growing loss in export and revenue

opportunities in the region over the years, aggravated by a rising commitment of financial and hydrocarbon resources to fulfil an inefficient internal consumption of petroleum products.

Description and Rationale

This workshop offers an independent open discussion platform to focus on the above-mentioned challenges facing the export of oil and gas from the GCC. The workshop would consist of a series of short presentations on the proposed theme and related topics. We invite high-quality publishable papers around 8,500 words long.

The proposed topics should concentrate on the following three main dimensions:

1. The global dimension – implications of shale oil and gas on the GCC

The major role of the GCC countries in petroleum exports refers to their large domestic resources which have been cost-efficiently exploited. However, new development technologies and unconventional energy sources have made oil and gas exploitation outside OPEC and the Gulf beneficial as well. Thus, the GCC countries require new, innovative business models in order to keep their dominant position in the petroleum business.

In fact, shale oil and shale gas production outside GCC have been challenging both the Gulf market share and global market prices and consequently the revenues of the rentier states. Shale oil and gas production are mostly located within the consuming markets and demand centers. Many petroleum importing countries have become exporters or at least self-sufficient, as a result of rising shale oil and gas production.

Where is this shale revolution heading and how is it affected by the fluctuating oil prices? How will the GCC countries face these big challenges which could ultimately shake the base of their economies?

Most of the GCC countries, if not all, heavily rely on the revenues from oil and gas exports in order to guarantee their national welfare systems. A sustained price decrease, caused by increased competition or energy surpluses resulting from growing unconventional sources, would trigger major financial and political crises in the region. In contrast, a rapid increase in petroleum prices, due to certain (OPEC) regulations or other limitations of energy supply, could lead to calls for technology substitution and, therefore, reduce the demand for petroleum in the longterm.

At the same time, developments in unconventional exploration technologies in many parts of the world may make the exploitation of shale oil and gas in the GCC more attractive and thus extend their energy sources. Indeed, the fast growing shale production in North America has achieved cost reductions, which may turn GCC unconventional oil and gas resources competitive as well. The development of unconventional resources in the GCC would not only extend their overall potential, but would allow the region as a whole to become more self-sufficient, at least in natural gas.

2. The regional dimension – expected strong return of Iran

The major regional and perhaps global event in 2015 was the July nuclear agreement between Iran and the P5+1 Group, which made a strong return of the Islamic Republic to the international arena possible. In the oil and gas sector, after over a decade of sanctions, Tehran lost a large part of its international oil market share to other OPEC countries, even as it was unable to exploit its huge gas reserves, the second largest in the world..

Now, the international oil companies and Tehran are both keen to work together with the aim to revive and expand the country's oil and gas capacities. Such a development would most probably affect global oil and gas supply and push the prices further down.

While this price and revenue issue is crucial for the GCC, the Arab Gulf countries are also worried about the impact on the world market of a larger Iranian oil production which would affect their market share. as well as theThey are also concerned about the possible impact of efforts to develop the country's gas resources.

More importantly, the GCC feels that the strong return of Iran on the global scene, including in the oil and gas market, would ultimately lead to a weakening of the strategic significance of its member countries, a decline already felt as a result of the shale revolution in North America and many other parts of the world.

3. The domestic dimension – increasing local demand challenges export levels

Historically, the GCC oil and gas industry held a major share of the global energy supply potential and still contributes significantly to meet the worldwide petroleum demand. However, the oil and gas industry in the Gulf is, to a large extent, publicly owned and thus needs to represent the interests of the countries and populations. However, the low domestic prices for petroleum products in the region have led to a growing local demand, which has cut into export capabilities and revenues.

Thus, a major task of this workshop is to discuss how the GCC countries can deal with the dilemma of supplying their citizens with cheap petroleum products which has created an increase in domestic demand and a subsequent decline in export potential. There has been a clear and growing loss in export and revenue opportunities over the years.

Cost benefit analyses could also be envisaged in order to point out the effectiveness of energy efficiency measures in the GCC and whether such measures have resulted in reducing domestic oil and gas demand and keeping exports on the current high level without committing additional, more expensive resources.

Anticipated Participants

Papers are requested from representatives of the following organizations:

- Government energy policy making agencies
- National and international energy companies involved in the Gulf
- Privately-owned energy & industrial groups based in the Gulf
- International organizations
- Regional financial entities
- Academic and research institutions

Papers are requested on the following topics:

- Technological advances in the unconventional oil and gas industry
- Potential implications of the shale revolution on the global petroleum market
- Proved and potential reserves of shale oil and gas around the world
- Proved and potential reserves of shale oil and gas in the GCC
- Economic (breakeven costs) and environmental issues related to the development of unconventional hydrocarbons
- Shale oil and gas: Real threat to the GCC or another opportunity?
- Analyzing the GCC strategy for facing the shale revolution: Defending the market share or business as usual?
- Best strategy to be adopted by the GCC to face shale oil challenges
- Economic, political and social impacts of continued weak oil prices on the GCC
- The attempts within the GCC to develop its indigenous unconventional resources
- The geopolitical impact of a reduced international reliance on the GCC conventional oil and gas
- The official Iranian plans to rehabilitate and expand its petroleum industry, and how they will be achieved
- Will Iran be more attractive for international oil companies than the GCC countries?

- Impact of a growing Iranian oil production on global oil market and prices
- The possibility of developing the gas industry in Iran and its likely effects on the GCC gas exports and the global gas market
- The strategic impact of the strong return of Iran on the international scene on the geopolitical significance of the GCC
- Reasons for the high level of demand for petroleum products in the GCC
- Impact of the growing GCC oil consumption on the region's export potential and revenue stream
- Suggested policies aimed at reducing the rate of GCC oil consumption
- Proposed ways to tackle the challenging issue of fuel subsidies in the GCC
- Energy efficiency measures to be used in the different economic sectors in the GCC
- The present and potential use of new and renewable energy sources (REW, especially solar) in the GCC
- Economic and other factors affecting the use of REW in the GCC

Workshop Director Profiles

Dr. Naji Abi-Aad was appointed COO of Petroleb, an oil company based in Beirut and active in petroleum exploration offshore in the East Mediterranean, in September 2012. In addition, he manages the newly-established Institute for Energy Economics at the American University of Beirut (AUB). Prior to his move to Lebanon, Dr Abi-Aad served for one year as Senior Advisor to the CEO of Qatar Petroleum International (QPI), after spending six years as Research Advisor for Qatar Petroleum and its Board of Directors, and as Media and Research Strategist in the Office of HE Qatar's Deputy Premier, Minister of Energy & Industry. Between 1999 and 2005, Dr Abi-Aad was managing director of Econergy, a Beirut-based research center which carried out studies on the economic and energy developments in the East Mediterranean and the Gulf. He was also engaged between 1988 and 2003 as Senior Advisor for the Middle East within the French-based Observatoire Mediterranéen de l'Energie (OME). Dr Abi-Aad studied at the American University of Beirut before being awarded a Ph.D. degree in Energy Economics from Grenoble University in France. During his 30 years of experience, he has been involved in extensive consultations, conferences and research studies, particularly on oil and gas in the Middle East. He has authored over 80 reports and studies on Middle East energy issues as well as a book on the security of petroleum supply from the region.

Dr. Christian Panzer is Managing Director of CPE ThinkTank, an Austrian based, independent energy think tank. He holds a Master's in electrical engineering and a Ph.D. in energy economics. Additionally he leads the corporate development group of Austria's

second largest energy utility. His main tasks focus on developing profitable business models for energy companies considering the environmental implications. Thus, on the one hand, he has profound knowledge in renewable energy sources. On the other hand, he has conducted in-depth analysis in the oil and gas business. Dr. Panzer is part of several World Energy Council working groups as well as national and international research committees. Furthermore, he holds several university teaching positions, among others at the Vienna University of Technology. He is involved in many international energy projects as well as industry studies. He has authored two books and about twenty scientific publications and has given more than 50 presentations in the field of (renewable) energy economics.

Selected Readings

The Shale Oil Revolution and Implications for the GCC

Paul Stevens, January 2015

<http://english.dohainstitute.org/release/fc73ceed-36f7-48eb-aea0-bf3cce7771f5>

Shale Gas: Threat or Opportunity for the GCC?

A.T.Kearny, March 2014

https://www.atkearney.com/paper/-/asset_publisher/dVxv4Hz2h8bS/content/shale-gas-threat-or-opportunity-for-the-gcc-/10192?_101_INSTANCE_dVxv4Hz2h8bS_redirect=%2Fissue-papersperspectives%3Fp_p_id%3D122_INSTANCE_Cdg7PcZ27H9M%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn3%26p_p_col_count%3D3%26p_r_p_564233524_categoryId%3D65839%26p_r_p_564233524_resetCur%3Dtrue

A Nuclear Deal with Iran: The Impact on Oil and Natural Gas Trends

Brenda Shaffer, January 2015

<http://www.washingtoninstitute.org/policy-analysis/view/a-nuclear-deal-with-iran-the-impact-on-oil-and-natural-gas-trends>

Shale Gas Developments and Its Impact on the GCC

November 2013

<http://www.chemanager-online.com/en/topics/chemicals-distribution/shale-gas-developments-and-its-impact-gcc>

Fossil Fuel Prices in the Arab World and the Fear of Reform

Ahmed Ragab, October 2010

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH

<https://www.giz.de/expertise/downloads/Fachexpertise/giz2010-en-fuel-prices-in-the-arab-world.pdf>

Energy Subsidies in the Arab World

Bassam Fattouh & Laura El-Katiri, 2012

<http://www.arab-hdr.org/publications/other/ahdrps/Energy%20Subsidies-Bassam%20Fattouh-Final.pdf>

The Iran Nuclear Agreement and Iranian Energy Exports, the Iranian Economy, and World Energy Markets

Anthony H. Cordesman, August 2015

<http://csis.org/publication/iran-nuclear-agreement-and-iranian-energy-exports-iranian-economy-and-world-energy-marke>

Possibility of Shale Oil and Gas Production in GCC Countries

Mohammed Abdel Rahman Al-Asoomi, June 2014

http://www.ecssr.ac.ae/ECSSR/print/ft.jsp?lang=en&ftId=/FeatureTopic/Mohammed_Al_Assoumi/FeatureTopic_1805.xml

The Shale Gas Revolution and its Impact on the GCC Economy

Dr. Jamal Abdullah, November 2013

<http://studies.aljazeera.net/en/reports/2013/11/20131113114617658817.htm>

How the Iran Deal Will Change the Long-term Price of Oil

Stratfor, July 2015

<http://fabiusmaximus.com/2015/07/26/stratfor-how-iran-deal-affects-oil-prices-87680/>

Bursting the Bubble: Shale Gas Impact on Natural Gas Exports in GCC

Jessica Obeid, November 2014

<http://www.theenergycollective.com/jessica-obeid/2155081/bursting-bubble-shale-gas-impact-natural-gas-exports-gcc>

What Next for Middle East Shale Oil & Gas?

Raheem J. Brennerman, November 2014

<https://www.pipelineme.com/features/features/2014/11/what-next-for-middle-east-shale-oil-gas/>

Winners and Losers from Iran's Eventual Return to Global Energy Markets

Robin Mills, July 2015

<http://www.thenational.ae/business/energy/winners-and-losers-from-irans-eventual-return-to-global-energy-markets>

Implications of Iranian Nuclear Deal on GCC, China and Russia

Dr Ghassan Shabaneh/Al Jazeera Centre for Studies, June 2015

<http://www.gulf-times.com/opinion/189/details/443421/implications-of-iranian-nuclear-deal-on-gcc,-china-and-russia>

Iran's Return Prompts Change to Saudi Arabia's Energy Strategy

Rami Ayyub, February 2014

<http://globalriskinsights.com/2014/02/irans-return-prompts-change-to-saudi-arabias-energy-strategy/>

The US Shale Gas Revolution and its Impacts on Qatar's Position in Gas Markets

OIES, March 2015

<http://www.oxfordenergy.org/2015/03/the-us-shale-gas-revolution-and-its-impact-on-qatars-position-in-gas-markets/>

Where Is the Global Shale Gas Revolution?

Mike Orcutt, July 2015

<http://www.technologyreview.com/news/539366/where-is-the-global-shale-gas-revolution/>

Gulf Nations Should 'Rethink Fuel Subsidies'

November 2015

<http://meconstructionnews.com/story/5148/gulf-nations-should-rethink-fuel-subsidies-qatar-think-tank>

Future Energy Challenges in the GCC Region

OIES Forum Issue 96, May 2014

<http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/06/OEF-96.pdf>

Prospects for Renewable Energy in GCC States: Opportunities and the Need for Reform

Laura El-Katiri and Muna Husain, OIES Paper, September 2014

<http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/09/MEP-10.pdf>

What Shale Gas Revolution Means for International Energy Geopolitics and New World Order?

Tuncay Babali, September 2014

http://www.huffingtonpost.com/tuncay-babali/what-shale-gas-revolution_b_5896254.html

U.A.E. Cuts Fuel Subsidy as Oil Crash Hammers Arab Economies

July 2015

<http://fuelfix.com/blog/2015/07/22/u-a-e-cuts-fuel-subsidy-as-oil-crash-hammers-arab-economies/>

OPEC in a Shale Oil World: Where to Next?

Mohamed Ramady, Wael Mahdi, Springer, October 2015