# VIEW FROM THE GULF

## Responses from Middle East & North African Oil & Gas Producers to the Russian Invasion of Ukraine

Australian National University

## Russia-Ukraine war shows cracks in US ties to Middle East allies

*The UAE and Saudi Arabia are pursuing their own interests, analysts say, as the US urges a united front against Russia's Putin.*

ARGUMENT *An expert's point of view on a current event.*

## Biden Should Punish Saudi Arabia for Backing Russia

Riyadh could make a difference in oil markets but has chosen to side with fellow authoritarians rather than the United States.

## 'Not our war': Gulf states resist pressure to raise oil output

## Opinion | America's Gulf 'allies' are now Putin's enablers

## Saudi, Emirati Leaders Decline Calls With Biden During Ukraine Crisis

# State narratives of Russian invasion of Ukraine

01 Russian Propaganda in Arabic-language media

02 “Not our fight”

03 A result of shifting world order, or Biden’s foreign policy

04 Hypocrisy: Where was the world when it was Palestinians/Syrians/Afghans being persecuted?

05 Kuwait as an exception

ابوسلمان
@alfahhadi

السيدة الأولى في #أوكرانيا زوجة #زيلينيسكي تخرج عن صمتها وتعلن "الانفصال" عن زيلينسكي أثناء الحرب.

اعتقد انها عرفت انه " عميل اهبل للغرب واحرق بلده بغباءه لاجل عيون #امريكا و #بريطانيا ".

Fox News @FoxNews · 2h
Ukraine's first lady breaks silence on being 'separated' from Zelenskyy during war
fxn.ws/387xAkJ

12:26 pm · 22 May 2022 · Twitter for iPhone

Zelensky as pawn of the West:
”I think she knew [Zelensky] was a ‘naive agent for the West and stupidly burned down his country for the eyes of #America and #Britain”

ابوسلمان
@alfahhadi

لن يكون اقذر من انتهاكات #امريكا في غزو #العراق و #افغانستان وقتل الملايين من المسلمين .

العربية عاجل @AlArabiya_Brk · 20h
بايدن: روسيا انتهكت القانون الدولي بشكل صارخ في أوكرانيا #العربية_عاجل
alarabiya.net

5:43 pm · 21 May 2022 · Twitter for iPhone

5 Retweets 5 Likes

“It will not be filthier than #American abuses in the invasion of #Iraq, and #Afghanistan and the killing of millions of Muslims”

“For the record #Ukraine is the largest area in #Europe after #Russia. An army of nearly 300,000 and a reserve of 1 million. 817 warplanes, bombers, powerful naval missiles...etc. Ukraine is a powerful country militarily. For the last 8 years the West has been offering it their best weaponry in preparation for this war.”

ابوسلمان
@alfahhadi

١-للعلم تعتبر #اوكرانيا اكبر مساحة في #اوروبا بعد #روسيا. جيش تقريباً ثلاثمائة الف والاحتياط مليون عسكري. ٨١٧ طائره حربيه، قاذفات ، صواريخ بحريه قويه...الخ. اوكرانيا دوله قويه عسكرياً . ٨ سنوات الماضيه كان الغرب يمدها بافضل اسلحته استعدادا لهذه الحرب.

10:38 am · 22 May 2022 · Twitter for iPhone

# “Not our fight”

## Non-interference

## Responding to US disengagement in the Middle East

- Diversification of foreign relations, balancing relations
- Damage to US credibility as security partner following withdrawal from Afghanistan
- A result of shifting world order, or reaction to Biden Administration foreign policy approach
  - Including using opportunity to pressure US on Houthis

## Economic Drivers

- Russia as crucial OPEC+ member
- GCC-Russian competition for East Asian markets

## Gulf state ‘progressive’ branding

- A stark reminder, despite billions in branding to project a ‘progressive’ image to the international (esp business) community, that these states are fundamentally authoritarian


Source: author's own image

# MENA as an alternative oil supplier: practical issues

## Pre-crisis, Saudi Arabia, Algeria, Qatar, Iraq, Egypt, Libya & Kuwait main MENA oil and gas producers exporting to EU

- Saudi Arabia (7%) most significant MENA oil supplier

## Obstacles to increasing supply to EU

- Domestic consumption in MENA states – petrochemicals & heavy industry development
- OPEC+ production agreements
- Russia-Gulf competition over Asian markets (esp China & India)
- Hedging on Iran
- How much spare capacity do Saudi & UAE actually have?

## Opportunities

- Saudi investing since 2017 in Poland, Eastern European markets
  - Saudi claims on track to increase production capacity above 13 mbpd by 2027
- Abu Dhabi redirecting some supply to EU as of April/May
  - Asian importers such as India balking at oil price, accepting discounted Russian crude instead and freeing up MENA supply
- MENA states with low breakeven prices as crucial suppliers during renewable energy transition

# MENA as an alternative gas supplier: practical issues

## Pre-crisis, Algeria (8%) and Qatar (5%) most significant MENA gas suppliers to EU

## Obstacles to increasing supply to EU

- Tight markets, long-term contracts
- Market approach differences
- Previous underinvestment, require long-term market incentives
  - Algeria hampered by slow decision-making, excessive bureaucratisation, difficult operating environment
  - Libya hampered by violence plus Russian presence via Gazprom
- EU LNG liquification/gasification terminal capacity

## Opportunities

- Some diversions of LNG cargoes from Asia to Europe (eg Japan)
- Qatar's expansion of North Field since 2017
  - LNG export capacity to go from 77 million tons per year in 2017 to 110 mtpy (2026) and, after stage 2, 126 mtpa (2027)
  - Qatar-Germany energy partnership on gas & hydrogen
- Western delegations to Algeria may improve investment in productive capacity
- Germany's recently announced construction of two LNG terminals in Wilhelmshafen and Brunsbüttel, plus floating LNG hubs

# Additional Issues

## Aligning emergency oil and gas import diversification with renewable energy goals

- The role of gas in the EU energy transition?
- Hydrogen and Ammonia market development?
  - Hydrogen production as central to energy transition planning in Middle East fossil fuel producers
  - Mediterranean Green Hydrogen Partnership to incorporate “Africa, Europe, and the Gulf”

## Impact on Gulf states & regional politics

- High fossil fuel revenue allowing breathing room on subsidy reform, introduction of new taxes, amidst high youth unemployment
- Enhanced Gulf-Syria relations: UAE seeking to counterbalance Iran?

## Renewing an old coercive diplomatic tool: oil and gas as leverage

- Spain dragged into Algeria-Morocco dispute
- Soft (and hard) power for MENA hydrocarbon producers
  - Qatar’s soft power blitz
  - Biden to meet Saudi Crown Prince Mohammed bin Salman next month: an attempt to repair relations?
- Long-term repercussions of Russia’s oil & gas politics

# THANK YOU

## Contact me

Dr Jessie Moritz

Centre for Arab & Islamic Studies (The Middle East & Central Asia)
Research School of Social Sciences
127 Ellery Crescent, Acton ACT 2600

E jessie.moritz@anu.edu.au
T @jessiemoritz

Australian National University