

Answer to Question

What's behind Saudi Arabia's Significant Reduction in Oil Production?

(Translated)

Question:

Why did Saudi Arabia, which is America's agent, cooperate with Russia in the OPEC Plus organization to reduce oil production by large amounts, which will lead to rising of its prices, and this is opposite to America's desires? America was angry as a result of this decision and announced a reassessment of its relationships with Saudi Arabia: [Biden pledged that this would have "repercussions" on Saudi Arabia for standing with Russia in supporting the cuts through taking measures aimed at re-evaluating the relationship between Washington and Riyadh. (France 24, published 10/16/2022)]. How can these moves be explained, given that Saudi Arabia and its actual ruler, Bin Salman, is an agent of America? And what are the results expected?

Answer:

To start off, it must be acknowledged that what Saudi Arabia and UAE have done within the OPEC Plus organization in agreement with Russia to significantly reduce the oil supplied to the market by two million barrels per day is a shocking decision for Biden and Europe, as these countries are making tremendous efforts to dispense the Russian energy resources, and therefore it urgently needs to see more non-Russian energy resources in the global markets as a replacement so that the lack of those resources does not reflect the prices that have become really expensive, especially in Europe.. And in order to know Saudi Arabia's goals from taking this step, it is necessary to know the reality of the climate International surrounding this step:

First: the energy crisis in Europe

1- [The European Union approved months ago a sixth sanctions package against Russia due to its war in Ukraine, which included a ban on oil imports from Moscow starting next December. Indeed, the European Union's imports of Russian crude oil fell to 1.7 million barrels per day last August, this compares to 2.6 million barrels per day in January. (The Independent Arabia, 9/12/2022)]. This European ban includes Russian oil imports coming through the sea and does not include those coming through some pipelines, and to show support to Europe, the United States has indeed compensated half of the Russian oil quantities that the European Union previously abandoned (before the sixth package of sanctions).

2- On the other hand, Europe in particular, is suffering from an aggravating energy crisis, in which gas and electricity prices have doubled. This situation is the result of Europe's high dependence, before the Ukraine war, on Russian energy resources, and if these days natural gas prices differ four times among Europe and America, this is not the case for oil, as oil prices are almost uniform globally, while gas prices are different depending on the presence of transport pipelines or liquefied gas processing plants. This means that the sixth package of European sanctions against Russia will lead to a supply shortage in Europe by 1.4 million barrels of oil, and this is a large amount that is expected to lead to additional increase in oil prices. If we add to this OPEC Plus decision to reduce oil quantities globally by 2 million barrels per day, the prices will become exorbitant.

Second: Russia and the impact of this decision on it

1- While America and European countries are trying to besiege the Russian economy and deprive it of money, these countries would like to see a lot of oil on display in global markets to reduce Russia's revenues from it, but the recent decision of the OPEC Plus organization makes

that supply little, which leads to a shortage of supply, high prices and that benefits Russia financially, this is what these countries do not want. It is true that America has long-term goals represented in unbinding Europe's ties with Russia, i.e. replacing energy supply chains, but the financial strangling of Moscow is also a major American goal, so it is surprising that Saudi Arabia is working against this American goal.

2- Among those American and European goals, these countries are actively discussing imposing a ceiling on the price of Russian oil, as well as gas. This is because those countries have seen that Russia, whose energy resources have diminished from European markets due to sanctions, has succeeded in opening new markets for its oil in India, China and other Asian countries. The sanctions imposed on Russia have allowed Russia to compensate for that difference, meaning that the financial return of the Russian treasury of oil has not changed compared to the period before the war on Ukraine due to the high price of oil globally. That is why, the idea of imposing a ceiling on the price of Russian oil is to limit Moscow's financial return to what remains on offer. Oil is sufficient in global markets, so prices remain reasonable according to these countries. Imposing a ceiling on the price of Russian oil is still being planned, and European countries and America have not dare to impose it due to its repercussions on world prices when Russia refrains from supplying oil to those countries that imposed a ceiling on its oil price.

Third: US Congressional elections

1- The mid-term elections for the US Congress will be held on November 8, 2022. The Republican Party, the party of former President Donald Trump, hopes to win these elections and control both houses of Congress; Representatives and Senators... and these elections are important because their results are an indication of the 2024 presidential elections in which the Republican Party plans to return to power, and in the circumstances of the severe division that America is suffering and divided between the Democratic Party and technology companies supporting it and between the Republican Party and the oil companies that support it, the decision of the organization OPEC Plus has profound dimensions related to these elections, and this is the key to Saudi Arabia's decision to support the organization's production cut.

2- As for this key, it is that America is living a very critical period, i.e. a month before its elections: [On October 5, the alliance of oil exporting countries OPEC + announced a reduction in oil production by two million barrels per day, starting from next November, this led to an increase in oil prices by about 10 percent, before declining slightly this week (Anadolu Agency, 10/12/2022)]. This inevitable result of the OPEC Plus decision, i.e., the rise in prices, is what is meant by Saudi Arabia's support for the decision, because fuel prices in America are sensitive to the American voter and that their rise changes the mood of that voter, keeping him away from President Biden and his Democratic Party and pushing him to elect Republican Party candidates. America was contacting Saudi Arabia and the Gulf States to postpone the decision of OPEC Plus for one month, i.e. until after the US Congress mid-term elections. (The Wall Street Journal said that Saudi Arabia refused to respond to the pleas of US officials to postpone the decision to reduce oil production within OPEC Plus.) The newspaper said, quoting sources aware with the talks, that US officials, days before the decision was taken on 5th October, called their counterparts in the Kingdom and other Gulf oil-producing countries to demand that the decision be postponed for another month, but they refused. People in touch with this issue said that US officials launched an intense pressure campaign to persuade Saudi Arabia to postpone its plans and White House officials have made several calls with Crown Prince Mohammed bin Salman, and US Treasury Secretary Janet Yellen spoke to the Saudi Finance Minister, according to the newspaper. (Al Hurra, 11/10/2022). Thus, it is obvious that the decision to reduce oil production is very sensitive to both the Democratic Party and to the Biden administration before elections, and that the administration tried to postpone it, but did not succeed!

3- With all this being said, it is obvious that Saudi Arabia, and its decisive support for the OPEC Plus decision to reduce oil production by a sharp amount (2 million barrels per day), does not plan to support the treasury of Russia, which is hostile to the West, and does not plan to deepen the energy crisis in Europe, as it is unable to stand against it unless its masters in Washington request it to do so, and it is also clear that Saudi Arabia is planning with its masters in America to raise the shares of the Republican Party, Trump's party; and this, although it refers to the deterioration of political life in America in the wake of division, but this deterioration becomes so terrible that a party works in cooperation with external parties to strike the interests of the other party, even if the other party is in power!

4- The Biden administration expressed its anger at Saudi Arabia and its decision, [Biden said in an interview with CNN, Tuesday evening, "There's going to be some consequences for what they've (the Saudis) done, with Russia." He added: "I'm not going to get into what I'd consider and what I have in mind. But there will be – there will be consequences." Biden indicated that "the time has come for Washington to rethink its relationship with the Kingdom (Saudi Arabia)." (Al-Anadolu, 10/12/2022)]. Also [White House press secretary Karine Jean-Pierre said that President Joe Biden has been clear since the beginning of his administration about the need for different relations with Saudi Arabia. The press secretary added that Washington is reviewing its relationships with Saudi Arabia and will follow up on what happens in the coming weeks in consultation with Congress. She added the OPEC Plus decision shows that Saudi Arabia is allying itself with Russia regarding energy policies (Al-Jazeera Net, 10/12/2022)].

Fourth: As for what is expected, it appears as follows:

1- The OPEC Plus reduction of two million barrels of oil per day is a decision that puts strong pressure on the oil supply. Even before this decision, the Biden administration had taken a decision to withdraw one million barrels from the American strategic stockpile for a period of six months, in order to confront the rise in fuel prices in the United States so as not to harm the Biden administration in the Congressional elections and to confront Russia, [US President Joe Biden announced unprecedented release of oil from US reserves, and steps taken to punish oil companies for not increasing production from unused rents on federal lands, according to the White House. The White House said: "After consultation with allies and partners, the President will announce the largest release of oil reserves in history, and put an additional million barrels in the market per day on average - every day - for the next six months." (CNN Arabia, 3/31/2022)].

2- With all this, it becomes clear how the US President is trying to calm the domestic fuel markets before Congressional elections, while Saudi Arabia rejects Biden's requests to increase production, and then finally, one month before the Congressional elections, it supports the OPEC Plus decision to significantly reduce oil production. Saudi Arabia has done more, it has doubled the quantities imported from Russia, and Refinitiv Eikon tracking data shows [that Saudi Arabia imported 647,000 tons of oil, equivalent to 48,000 barrels per day of Russian oil, which it received through Russian and Estonian ports during the months of April to June, i.e. twice the amount that it had imported from Russian oil during the same period of 2021. (Al Hurra, 7/15/2022)]. This is evidence of a great conspiracy carried out by Saudi Arabia, in coordination with the American oil companies and the American Republican Party, to contradict the president's policy.

If we add to all of this the contacts made by the former Trump administration's staff with Saudi Arabia, such as Jared Kushner, it becomes clear that Saudi Arabia is coordinating its oil policy with the American Republican Party, especially the group of former President Trump and with American oil companies loyal to the Republican Party, and these companies have control over Saudi oil.

3- There is no doubt that this Saudi policy will expose it, in the coming days, to pressure from the Biden administration, which announced that it is in the process of reviewing its relations with Saudi Arabia after the decision of OPEC Plus to significantly reduce production. Indeed, Biden administration officials are linking between Saudi Arabia and Russia: [US President Biden stressed that “there will be consequences” on Saudi Arabia due to its decision within the framework of the OPEC Plus oil alliance to reduce production quotas, and stressed that it is time to “rethink” the relationship with Saudi Arabia. While the former US Assistant to the Secretary of Defense for Public Affairs, John Kirby, confirmed that the president ordered a "re-assessment" of the relationship between the United States and Saudi Arabia (Al-Hurra, 10/12/2022)], and also the influential Democratic Senator, Bob Menendez, attacked the Chairman of the Committee on Foreign Relations in the Saudi Senate, (considering that Riyadh “effectively supports Russia in its brutal invasion of Ukraine.” Senator Richard [Dick] Durbin of Illinois, on Tuesday morning, said Saudi Arabia clearly wants Russia to win the war in Ukraine,” “Let’s be very candid about this,” he said on CNN. “It’s Putin and Saudi Arabia against the United States.” stressing that Saudi Arabia “has never been a trustworthy ally of our nation...” (Al-Hurra, 10/12/2022). There is no doubt that Saudi Arabia is not taking these actions for Russia’s interest, as it had thrown a great deal of weight against Russian interests in 2020 during the Trump administration in order to induce Russia and force it to reduce production (as stated in the Answer to the Question “The Oil Crisis and Its Repercussions” corresponding to April 29, 2020), so if anyone thinks that Saudi Arabia is supporting Russia against America, this is a fantasy that has no place for the rulers of Saudi Arabia, the agents of America.

Fifth: This is the reality of the current oil policy of Saudi Arabia, which blatantly contradicts the wishes of the Biden administration, but it corresponds to the desires of the American Republican Party and the American oil companies that support it, which from one side want to raise prices because they are benefiting from that, and from a more important side they want to bring down President Biden’s supporters Democrats in the upcoming midterm congressional elections in the hope that the Republican Party will control both chambers of Congress, which will facilitate their return to the presidency also in 2024.

If Saudi Arabia, along with the Gulf oil statelets, wanted to control the oil markets in terms of marketing and pricing, it would have done so for its own interest and the interest of its people. However, these client rulers do not think of such ideas, for they have imbibed agency and submission to the foreigner and imbibed the hostility of Islam and its people. They will not make Muslim oil a weapon in their hands, nor in the hands of their enemies except by the upcoming Khilafah (Caliphate) State soon, by the permission of Allah.

﴿وَيَوْمَئِذٍ يَفْرَحُ الْمُؤْمِنُونَ * بِنَصْرِ اللَّهِ يَنْصُرُ مَنْ يَشَاءُ وَهُوَ الْعَزِيزُ الرَّحِيمُ﴾

“And on that day the believers will rejoice * at the victory willed by Allah. He gives victory to whoever He wills. For He is the Almighty, Most Merciful.” [Ar-Rum: 4-5]

21 Rabi’ al-Awwal 1444 AH

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