

Answer to Question

The OPEC+ Charter

(Translated)

Question:

The Riyadh website published on July 9, 2019 that Saudi Arabia had played an influential role (in the agreement signed by the Organization of Petroleum Exporting Countries (OPEC), along with other non-OPEC producers last Tuesday, and was named the "Vienna Alliance.". Does this mean that a new organization was formed in place of OPEC? Is Saudi Arabia's role in question self-motivated or externally motivated? What is Saudi Arabia's interest in this alliance? For how long will this new alliance last? May Allah reward you.

Answer:

In order to clarify the answer to the above questions, we will review the following:

First: The reality of the agreement:

1. The 14-nation Organization of the Petroleum Exporting Countries (OPEC) has approved a charter of cooperation with 10 other countries, led by Russia, a major oil producer, in Vienna on 2/7/2019 during an OPEC ministerial meeting with those producers, and named the agreement "The Vienna Alliance / OPEC+" to be formally signed next fall during the planned visit of the Russian president to Saudi Arabia. The 24 countries agreed to extend the production cuts agreement in place for two and a half years for an additional period of nine months. This agreement was a process of documenting the relationship that has developed between Russia and Saudi Arabia (OPEC) during the past three years following the sharp fall in oil prices in 2014 after hitting a peak of \$147 a barrel, and then continued to decline to \$27 a barrel in early 2016; this was in order to try to control the movement of prices by regulating the supply of oil to meet global demand. During that period, Saudi Arabia led OPEC's agreement with Russia to reduce production by 1.2 million barrels a day by OPEC, with Russia cutting its production by about 300 thousand barrels a day, and indeed the collapse of prices was halted and the price of a barrel rose to \$55 after the agreement and it continued the upward trend during the past two years, which was considered satisfactory to oil producers.

This new alliance of oil producers adds to OPEC important producers, such as Kazakhstan, Mexico, Azerbaijan as well as Russia, and makes the new alliance "OPEC+" control 47% of world oil production after OPEC alone used to produce about a third of world production i.e., it is supposed to significantly help oil producers in controlling oil prices. But this in theory, while in practice, many other things govern this agreement, including:

a- This agreement did not cancel OPEC, but its members agreed with other producers, most notably Russia, that is, it is reversible. It is not a new alternative to OPEC, i.e. the OPEC Charter has remained in place, even if new states enter under the umbrella of "OPEC Plus", and it is a voluntary agreement that the new states can exit from its charter.

b- This agreement has been imposed on the producers by a new reality in the oil markets, the US shale oil, whose production continues to fluctuate up and down according to the price,

and is not expected to stabilize before 2025. So, this agreement is likely to continue until the stability of shale oil production in the United States and its impact on the markets is clarified.

c- Saudi Arabia is the most prominent among the OPEC countries to shoulder the agreement, which is a puppet state of America, and cannot move outside US policy, so the hand of America in this agreement is strongly concrete, and its agreement with Russia remains influenced by the developments of US policy.

Second: The motives for this alliance:

1. Since the collapse of oil prices in 2014, coordination between producing countries has become necessary to try to control the supply of oil in world markets, and thus control oil prices according to market requirements, i.e. in accordance with the theory of supply and demand. In the past decades, this has been done within OPEC, which is home to the largest oil producers, but in recent years Russia has become a giant oil producer and its production has increased by more than 11 million barrels per day, i.e. it produces 10% of the world's production. Russia was monitoring OPEC; if it reduces production and hence prices rise, Russia would increase its production by taking advantage of high prices, as it is not bound by OPEC resolutions, and this has upset America, especially as it imposes sanctions on Russia. So, it tasked Saudi Arabia, OPEC's largest producer and has a strong influence in it, to actively use the methods needed to create an alliance of some kind between OPEC and Russia to control Russia's production within OPEC's borders in accordance with the coordination between Saudi Arabia and Russia.

2. In order for coordination to become a reality on the ground, Saudi-Russian relations improved considerably after 2014, and on 4/10/2017 King Salman paid a visit to Moscow, the first by a Saudi king to visit Russia. Several meetings were held between the Russian President and the Saudi Crown Prince, and Russia was tempted by the possibility to direct the large arms contracts of Saudi Arabia towards Russia's military factories, and thus, Russia and Saudi Arabia inaugurated a new era of oil relations between them. All this was in the era of America's agent Salman and his son. The Saudi-Russian efforts were concluded on 30/11/2016 with the signing of the first agreement to reduce oil production between OPEC and 11 other countries, led by Russia, whereby OPEC has cut production by 1.2 million barrels per day, while the other 11 states reduced their production by 560 thousand barrels per day, and Russia's share alone of this cut was 300 thousand barrels per day. Prior to this agreement, Saudi Arabia threatened to flood markets with oil, which encouraged Russia to coordinate with it for fear of dumping and price declines, thereby preventing financial hardship in Russia, whose budget is about 50% dependent on energy imports (oil and gas).

3. This agreement had a positive impact on oil prices, and the price of a barrel of oil rose immediately after the signing of the agreement, but that agreement was for six months, followed by a long debate to extend the agreement. Russia, in general, especially as the oil price was good, wanted to increase its production to support its budget, while Saudi Arabia constantly wants to continue to reduce production as its fixed policy, although it threatens from time to time to give free reign to the market, i.e. threatening to significantly increase in production, and this threat has always been in the face of Russia's attempts to end production cuts. In an open game for those who have sight, the US president asked Saudi Arabia to increase oil production to curb prices to encourage Russia to re-engage in production cuts with Saudi Arabia. Russia appears as if it is resisting the US president's policy and fears Saudi Arabia's response to him, so, Russia rushes forced to coordinate with Saudi Arabia to reduce production. As an example, [In a tweet on Saturday, Trump said that he spoke to King Salman bin Abdul Aziz and asked

him to increase Saudi Arabia's oil production, maybe up to 2,000,000 barrels, to stop its price rise and that King Salman had agreed to his request. (Al-Arabi Al-Jadeed 1/7/2018)].

4. Russia's displeasure with the cut in production is confirmed by what was reported by Al-Ain News on June 5, 2019, that Russian oil giant Rosneft's CEO Igor Sechin said on Tuesday (the company was discussing possible compensation from the government in the event that a global deal to cut supply is extended. Sechin questioned the logic of Russia cutting output further as part of an extended deal, saying "the United States could raise production and take Russia's market share"). In other words, Russia saw the reduction of production is not in its interest, but the threat of Saudi Arabia to increase production and flooding the markets and then decrease prices significantly which loses Russia's benefit from increasing production due to the low financial intake from it, and the result is harmful to Russia because about half of its budget is from oil, so it agreed in duress to cut production! Thus, it increases prices to fit the export of shale oil, and this leads to the expansion of US oil companies. That is, Saudi Arabia is an American sword on the neck of Russia to push it to reduce oil production whenever America wants to.

5. To understand the importance of reducing production to America, America today is different from yesterday's America with regard to oil, as shale oil production has become a reality in the United States, and its production is constantly increasing, and its increase is vital to the US economy, which is suffering from a very high debt. This production and this increase need market conditions, especially the price, so the United States has assigned Saudi Arabia the task of reducing OPEC oil production, which on the one hand allows US companies to obtain market shares easily, and on the other hand maintains the price of oil high, i.e. economically feasible for producers of American shale oil. Shale oil needs the price of \$ 69 a barrel to be feasible, but the development of its extraction technology has reduced this figure below that. America sees its shale oil as a way to take the superiority in the oil markets.

6. The Saudi stick against Russia is the threat to increase production and push prices down, and the carrot is to delude Russia to gain more influence in the Middle East. King Salman paid a visit to Moscow in 2017, the first visit of Saudi king to Russia, and Saudi Arabia invited the Russian president to visit this fall, which is also a rare visit of its kind to Saudi Arabia by Russian president and the second ever. The Russian president was the first to announce the signing of the Vienna agreement after his meeting with Saudi Crown Prince Ibn Salman during the G20 summit held in Osaka, Japan on June, 29,2019, and (the Russian president told Saudi Crown Prince Mohammed bin Salman that he was "happy to discuss cooperation between the two countries in the energy markets." Putin added, "The strategic partnership within OPEC+ has led to the stabilisation of oil markets and allows both to reduce and increase production depending on the market demand conditions, which contributes to the predictability and growth of investments in the industry"). Putin announced [that "the deal would be extended in its current form and with the same volumes", (Arabic Independent, 29/6/2019)]. All this delude Russia that it has influence in Saudi Arabia and within OPEC and on oil markets! In order to instil these false notions in the minds of Russians, the Americans delude the Russians of being dissatisfied with this agreement (Mr. Bordoff, who served as an energy advisor in the Obama administration said "The U.S. has enjoyed a dialogue with most of the key OPEC countries", before adding: "Now you are bringing in, in a leadership role to the agreement, one of America's foremost adversaries". The US secretary of state, Mike Pompeo, when asked earlier this year whether the Russian president could use oil diplomacy to supplant the U.S. in the Middle East, he said: "I am very confident that Vladimir Putin's efforts will fail.").

7. This is the reality of this Charter, and its motives, but as for it to last in perpetuity, this is unlikely because Russia is always trying to escape those restrictions and to benefit from the high oil prices by increasing production, especially as conditions in the near future may complicate Russia's commitment to this, such as the trade war and its impact on oil prices, and the possibility of a return to stability in oil production in Venezuela, Libya and Iran, and its impact on the markets. In addition, Russia's current proven reserves of oil will be depleted in less than 20 years according to the current pace of production, making it a race in time to try to reap profits during this not-long period, except if new oil fields are discovered. But this agreement could hold until 2025, the year in which US oil production is expected to stabilize, and its impact on markets is clearly defined, so Russia will be building its oil policy on those realities that remain so uncertain today.

8. Finally, it is worth mentioning that the success of US policy behind the curtain of pushing Saudi Arabia with the stick of increasing oil production and the carrot of illusion of a new influence in the region to Russia, its success in pushing Russia to the OPEC+ Charter, all this will increase America's hopes for the success of its other policy. The policy of pressure and sanctions with Russia to push it to serve against China, and if America's hopes increase because of the success in the "OPEC Plus" plan, the American pressure against Russia will intensify, although America will add false carrot to deceive Russia, which is easy to deceive, until it obeys the American policy and becomes its servant in the vicinity of China. America has already begun that by asking President Putin during their meeting in Japan on the sidelines of the G-20 summit on June 29, 2019, to involve China in the Medium-Range Missile Treaty if Russia wants America to return to the treaty. Russia sees this treaty as vital to its security, so it will push China to accept. And because China rejects it as expected, then a crisis will arise between Russia and China, and this will facilitate Russia's standing with America in the vicinity of China. For all this, the new "Vienna Alliance" to control the oil markets is an American trap for Russia, and America's success has more strategic dimensions.

9. Thus, the rulers in the Muslim countries have placed our wealth in the door of political games between the Kaffir colonial countries. If the interests of these countries required the reduction of production, those Ruwaibidhat would say "we obey", and if their interests required increasing production, they also would obey. If their interests required to take our wealth cheaply, these rulers would agree with subjugation. If their interests require taking them at no cost under the pretext of protecting their thrones, as Trump announced, they would shake their heads, agreeing with gratitude that they protected their thrones!! And so they are in this world, ﴿صَمٌّ بَكْمٌ عُمَىٰ فَهُمْ لَا يَعْقِلُونَ﴾ **“Deaf, dumb and blind, so they do not understand.”** [Al-Baqara: 171] And in the Hereafter, they are blind and more astray in way, and Allah Almighty said the truth, ﴿وَمَنْ كَانَ فِي هَذِهِ أَعْمَىٰ فَهُوَ فِي الْآخِرَةِ أَعْمَىٰ وَأَضَلُّ سَبِيلًا﴾ **“And whoever is blind in this [life] will be blind in the Hereafter and more astray in way.”** [Al-Isra: 72]

9th Dhu al-Qi'dah 1440 AH

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