

Total denied Brazil off shore drilling licences in Amazon Reef



Total SA was denied permission to drill five deep-water blocks in the Amazon Reef off Brazil's coast over biodiversity concerns. The Brazilian Environment Agency, known as Ibama, said on Friday that oil exploration in the area could threaten sea life in case of a spill. Plus, documents presented during the five-year assessment failed to ensure an adequate emergency plan would be in place, the agency said. The denial comes three weeks before President-Elect Jair Bolsonaro – who has strongly criticised Ibama's environmental licensing and promised more resource exploration in the Amazon – takes office on January 1. Total won the licences during Brazil's 11th oil round in 2013 in partnerships with BP Plc and state-controlled Petroleo Brasileiro SA.

The company will analyse documents sent by Ibama and decide on the next steps, according to an e-mailed response to

questions. “Ibama did the right thing in denying Total its licence to drill,” said Thiago Almeida, a climate and energy campaigner for Greenpeace Brazil. “More than 2mn Amazon Reef defenders from all around the world stood up against Total’s reckless plans to drill for oil near this unique and biologically significant area.”

Huawei Arrest Keeps U.S.-China LNG Spat Alive, Developer Says



The arrest of a top Chinese technology executive means the tariff war that ensnared liquefied natural gas may not have reached a cease-fire, according to the developer of a U.S. project to export the fuel.

Liquefied Natural Gas Ltd. has been cautioned by prospective

Chinese buyers of supply from the terminal it plans to build in Louisiana “that things are not resolved” on the trade front, Chief Executive Officer Greg Vesey said in an interview Friday. The potential purchasers’ comments came after Canada said the U.S. is seeking to extradite Huawei Technologies Co. Chief Financial Officer Wanzhou Meng over potential violations of sanctions on Iran.

The snag comes just days after Chinese officials were said to have started preparing to resume imports of U.S. LNG and soybeans as President Donald Trump touted a breakthrough in talks between the two nations. Developers of multi-billion-dollar U.S. gas export terminals – projects typically underpinned by long-term supply contracts – have been courting China, which emerged this year as the world’s biggest gas importer.

“The whole trade issue put a damper on things directly with Chinese customers and the rest of the buyers are also sitting back,” Vesey said. Still, the developer has had ongoing conversations with Chinese companies, he said.

Vesey aims to sign deals and make a final investment decision to proceed with the Magnolia LNG project in the first half of 2019. But as the trade dispute persists, the timing “is a little iffy,” he said.

Where to American Fuel?

China is the U.S.’s third-biggest LNG market, but trade war stands to clip shipments

Sources: Bloomberg Vessel Tracking, IHS, Genscape, DOE

Shale will take Opec cut but no longer needs it



U.S. shale's response to OPEC's decision to cut supply and boost prices: We'll take it, but we don't need it.

In 2014, the U.S. oil industry's fate seemed to rest in the hands of OPEC ministers who were flooding the market with cheap oil in a push to obliterate them. Now, the cartel is in full retreat, agreeing to cut output to keep their own economies healthy even as U.S. production continues to surge.

The move came in a week in which oil fell to near \$50 a barrel, a price that four years ago would have panicked U.S. drillers. But since then, shale explorers have cut costs, boosted fracking efficiency and made wells longer and more productive. The result: Break evens for a 30 percent profit have been almost halved to just \$45 a barrel in the prolific Permian Basin.

“The shale industry can now thrive in a \$50 oil world,” David Deckelbaum, a New York-based analyst at Cowen & Co., said by phone. The OPEC decision to support prices over \$50 in the U.S. “underwrites most of the industry.”

U.S. oil producers are now generating 11.7 million barrels of oil a day, about a third more than in 2014, with almost half the number of rigs. And last week, the industry became a net exporter for the first time in 75 years.

To be sure, the breakevens companies often cite don't necessarily mean producers will be pumping big profits at \$50-a-barrel oil. They exclude corporate expenses and land acquisition costs, which can be substantial. Still, they remain strongly indicative of the “drill or no drill decision,” said Ian Nieboer, an analyst at RS Energy Group who sees the U.S. pumping an extra 1 million barrels a day in 2019.

“The full pace and capability of the U.S. industry is not yet completely appreciated” by OPEC and its allies, Nieboer said in an interview. “Everybody is still catching up to how efficient this industry has become.”

Oil producers in the U.S. are “breathing a sigh of relief” as a result of the OPEC agreement, said Saudi Arabia's oil minister Khalid Al-Falih said at a news conference in Vienna on Friday. Low oil prices are “not good for the U.S. economy,” Al-Falih said, adding that America now has “more at stake” alongside Saudi Arabia because U.S. oil output has increased.

In 2014, wells drilled in the Permian, home to a third of U.S. output and the world's fastest-growing major oil field, needed a price of \$86.10 a barrel to turn a 30 percent profit, according to Calgary-based RS Energy Group. Now that figure is \$45 a barrel, giving producers incentive to drill at current prices. The story is similar story for the Eagle Ford in south

Texas and the Bakken in North Dakota.

OPEC and their allies, including Russia, met in Vienna on Thursday and Friday. The agreement they made was to remove 1.2 million barrels a day from the market, with OPEC itself shouldering 800,000 barrels of the burden. Following the announcement, oil in New York jumped by as much as 5 percent to \$54.22 a barrel.

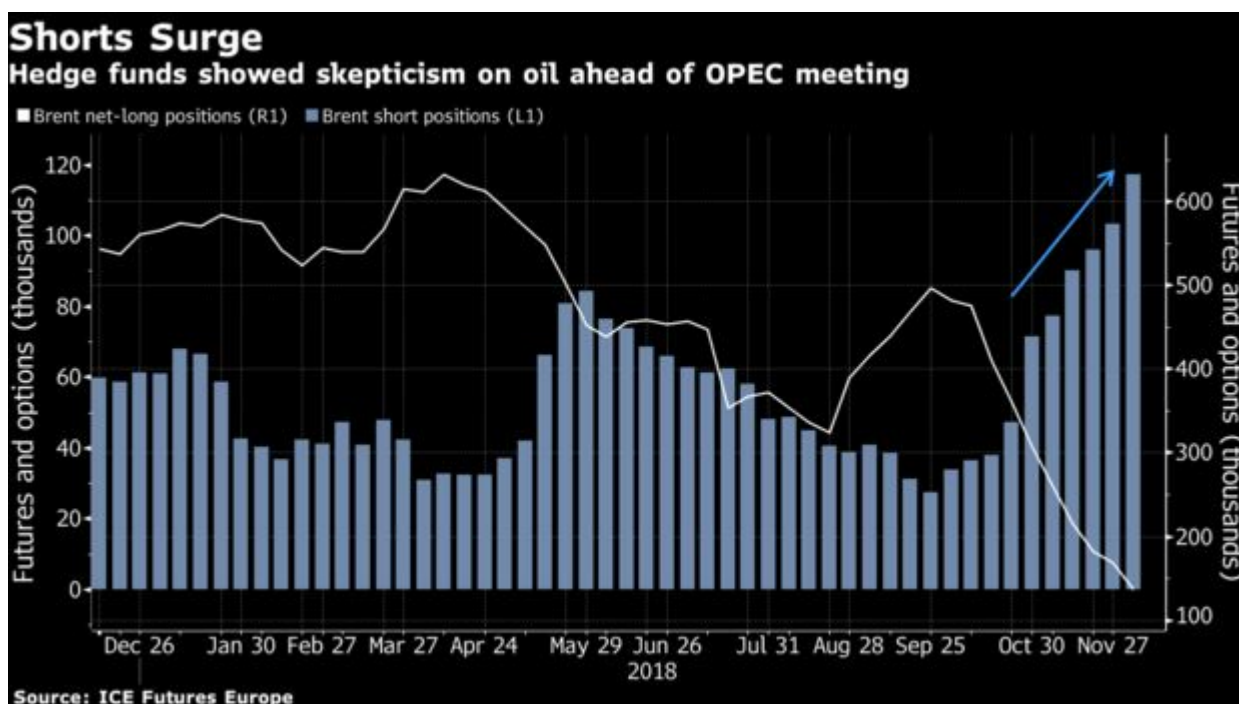
OPEC Cut Throws Wrench Into Record Oil Short-Selling Streak



OPEC's surprise output reduction has wrong-footed short-sellers.

Hedge funds cut bets on rising Brent crude prices to the lowest in more than three years in the week through Tuesday as short positions increased for a 10th straight time, the longest streak on record. Then on Friday, OPEC and its allies surprised the oil market with a bigger-than-expected cut, sending futures surging and leaving money managers pressed to unwind their bearish wagers.

“Now that we’ve seen this fundamental shift in the market, I would expect there to be good support down at these prices levels and lead those newly established shorts to start covering,” said Ryan Fitzmaurice, an energy strategist at Rabobank.

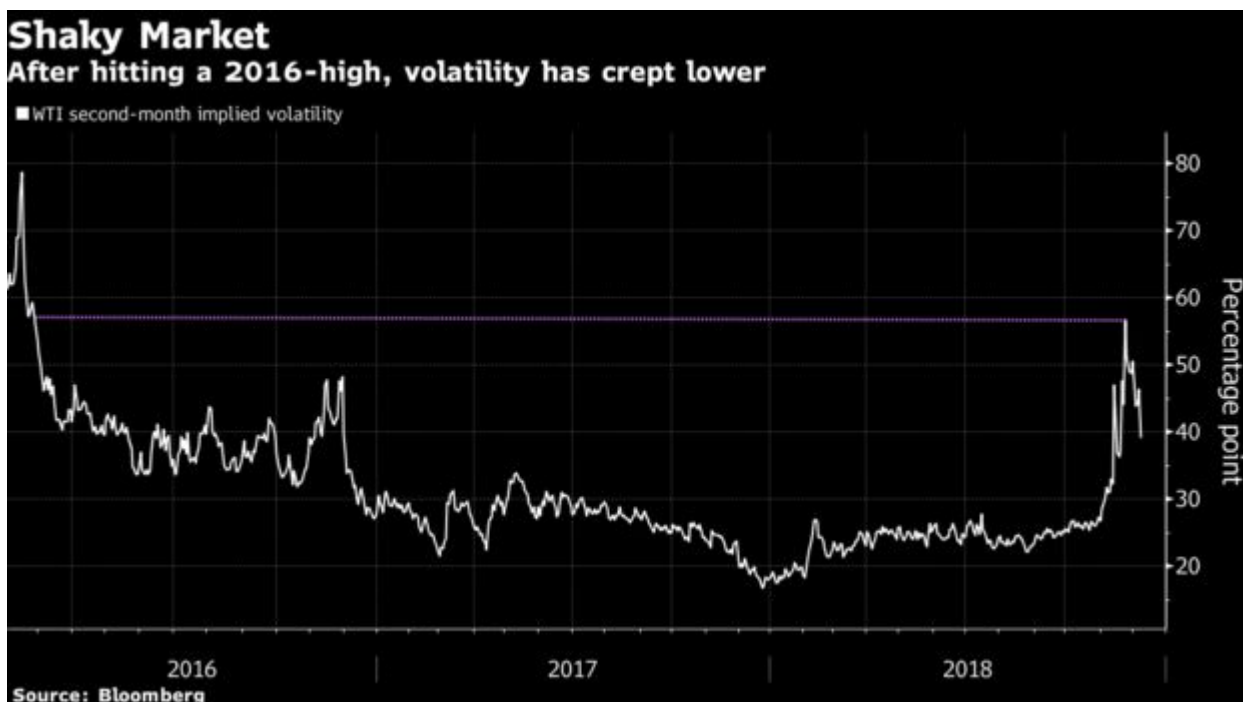


After much back-and-forth between producers in Vienna, OPEC and allies agreed to collectively cut production by 1.2 million barrels a day, with the cartel shouldering 800,000 barrels a day. Saudi Arabia had previously said a 1 million barrel-a-day cut was the likely scenario. The agreement will be reviewed in April.

Hedge funds’ net-long position – the difference between bets on higher Brent prices and wagers on a drop – declined 19 percent to 136,466 contracts, ICE Futures Europe data show for

the week ended Dec 4. That's the least bullish since August 2015. Longs slid 6.6 percent, while shorts jumped 14 percent to the highest since July 2017.

After OPEC's announcement, "people will start to be a little more comfortable deploying net-length into the sector," said Chris Kettenmann, chief energy strategist at Macro Risk Advisors LLC. "OPEC has basically said, we've got you, we're going to take down production."



Ahead of OPEC's deal, observers were also focusing on how tense the market has been. Implied volatility for second-month West Texas Intermediate futures hit a 2016-high late last month before slowly creeping lower.

Volatility at these levels is "untenable for not only market participants, but industry participants needing to deploy capex into next year," said Kettenmann. "OPEC is doing what they should do, managing volatility to attract capital back to the sector."

But, some remain skeptical that the deal is enough to make a dramatic change in the oil market.

"A fair question the market has to ask now is, will this be

enough?" said Rob Haworth, who helps oversee about \$151 billion at U.S. Bank Wealth Management in Seattle. Are there enough signs that this \$50-\$55 price range is low enough to limit the growth of U.S. shale production so 1.2 million barrels is enough, and will it be enough in the face of what we see as a slowing global economic environment?"

The report from the U.S. Commodity Futures Trading Commission on WTI wagers was delayed until Monday, following a day of mourning earlier last week for former President George H.W. Bush.

QP signs exploration agreement marking its first entry into Mozambique



Qatar Petroleum has entered into an agreement with an ExxonMobil affiliate to acquire a 10% participating interest

in three offshore exploration blocks in the Angoche and Zambezi basins in Mozambique.

The agreement is subject to customary regulatory approvals by the government of Mozambique, QP said Saturday.

Following such approval, the various partners composing the consortium will be made up of affiliates of each of ExxonMobil (operator) with a 50% participating interest, Empresa Nacional de Hidrocarbonetos (ENH) with a 20% participating interest, Rosneft with a 20% participating interest, and Qatar Petroleum with a 10% participating interest.

HE the Minister of State for Energy Affairs, Saad Sherida Al-Kaabi, , also President & CEO of Qatar Petroleum, said, "We are pleased to sign this agreement, with our long-time partner ExxonMobil to participate in exploring these frontier offshore basins in the Republic of Mozambique. This is a milestone for Qatar Petroleum as it marks its first foray into Mozambique's promising offshore basins".

Al-Kaabi said, "We hope that the exploration efforts, which will commence soon, will be successful, and we look forward to collaborating with ExxonMobil, Rosneft and ENH on this opportunity. I would like to take this opportunity to thank the Mozambican authorities and our partners in these blocks for their support.

"This signature is very much in line with our growth strategy in Qatar Petroleum with a new country entry to prospective frontier basins with significant hydrocarbon resource potential," al-Kaabi added.

The offshore blocks are A5-B, which lies in the Angoche basin, and Z5-C and Z5-D, which lie in the Zambezi basin. Both basins are frontier and underexplored.

The two Zambezi blocks have a total area of about 10,200 square km with water depths ranging from about 200 to 2,000 meters, while the Angoche basin block has an area of about

6,450 square km with water depths ranging from about 1,800 to 2,500 meters.

“In line with its growth strategy, this opportunity provides Qatar Petroleum with a new country entry to prospective frontier basins with significant hydrocarbon resource potential,” a QP statement said.

GCC Summit today as unjust blockade of Qatar continues



The 39th GCC Summit takes place today in Riyadh amid an ongoing blockade on Qatar imposed in June 2017 by Saudi Arabia, Bahrain, the United Arab Emirates and Egypt.

Without even giving the slightest hint, Saudi Arabia closed the Salwa border, Qatar’s only land crossing, cutting off a vital link for food and medical supplies, on June 5 last year. The blockading countries, three of them Gulf Co-operation Council (GCC) members, cut of all diplomatic ties and banned

Qatari citizens from their territories.

The ban affected Qatari students pursuing their studies in the siege countries and Qatari citizens and residents who have invested huge sums in real estate and business ventures in the blockading countries. As their own nationals were asked to return to their home countries, thousands of Gulf family members were stranded or separated in one stroke of unjust, political one-upmanship.

The crisis did not even spare animals – thousands of camels that used to graze in the vast Saudi deserts – were rushed across the border. Many of the animals perished in the ensuing stampede and as a result of lack of feed or water.

The blockading countries even closed their airspace for Qatari aircraft in their efforts to heap further trouble on their neighbour who they called a brother until the previous day.

Not being satisfied with these unjust measures, the blockading countries, launched a vicious anti-Qatar media campaign that employed an army of social media ‘influencers’ who spread fake news about Qatar in an effort to sully its fair name.

They used hate speech to spread hatred among the people of the GCC member states and did not hesitate even to use religious platforms against Qatar.

In one of the most ignominious and unprecedented acts of victimisation, Riyadh politicised Umrah and Haj, depriving Qatari nationals from performing one of the main obligations of Islam. On the other hand Haj visas were used as a political tool to intimidate poor countries in Africa to declare their loyalty to Saudi Arabia.

When nothing worked and Qatar continued to grow from strength to strength, the card of tribal affiliations was played to divide the people of the region but that too to no avail.

All the while, the campaign against Qatar went unabated, both at the regional and international levels. ‘Protestors’ and ‘panelists’ were paid to participate in anti-Qatar events organised by hired firms abroad.

In the face of such serious provocations, Qatar has continued to keep decorum and maintained that the crisis has to be

solved through talks.

His Highness the Amir Sheikh Tamim bin Hamad al-Thani recently said he regrets the continuation of the conflict with other Arab states, but added that the “crises will pass”.

Addressing Qatar’s Shura (Advisory) Council last month, the Amir said the country would continue to develop its oil and gas industries as it is keen to preserve its status as the world’s top liquefied natural gas exporter.

“History teaches us that crises pass, but if they are handled badly then this may leave traces which last for a long time,” the Amir said.

“It is very regrettable that the continuation of the Gulf crisis exposed the failure of the Gulf Co-operation Council ... which has weakened its ability to face challenges and threats and marginalised its role in the region,” he added.

Experts say it remains unclear how today’s summit will affect the ongoing dispute, as the “largely-symbolic” body has for years abandoned its functional role of building closer ties between member states.

With the GCC unable to resolve the crisis, analysts say the organisation itself has proven to be futile, both politically and to an extent, economically.

This year’s meeting also comes amid pressure from the West, as the United States – a GCC ally – and Europe say the council is vital for keeping the region secure.

While the agenda of this year’s summit has not been made public, experts predict that the Gulf crisis will not be a top priority.

This year’s summit also comes amid the diplomatic crisis over Saudi journalist Jamal Khashoggi’s assassination, which has put Riyadh in the dock.

Since the crisis began, Qatar has secured new strategic alliances, most notably with Turkey.

The GCC, a political and economic alliance of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE, was established in 1981 to foster socioeconomic, security, and cultural co-operation.

Kristian Ulrichsen: Leaving OPEC Reinforces Qatar's Autonomy



Kristian Ulrichsen, a Baker Institute fellow and author of “The Gulf States in International Political Economy,” published an op-ed in The New York Times this week on the logic behind Qatar’s decision to leave the Organization of Petroleum Exporting Countries, commonly known as OPEC.

According to Ulrichsen, OPEC has become mired in geopolitical disputes like the Saudi-Iranian rivalry, to the detriment of its member states and its central mission to stabilize international petrochemical markets.

Qatar has persisted in its mission to serve as a secure natural gas exporter. Qatar provides more than half of India’s natural gas imports, as well as 14-15% of China’s, Japan’s, and the UK’s, according to the MIT Observatory of Economic

Complexity. Following the illegal blockade, Qatar signed long-term natural gas agreements with China, Japan, and the UK. Qatar even still provides natural gas to the United Arab Emirates through the Dolphin Pipeline, despite the blockade.

Qatar remains committed to the central mission of mission of OPEC – maintaining a stable international market for petrochemical products. Its decision to increase natural gas exports was in response to a projected increase in international demand, according to then-CEO of Qatar Petroleum, Saad Sherida Al Kaabi. Qatar Petroleum is investing \$20 billion in U.S. oil and gas fields, most notably the Golden Pass LNG terminal in Texas, even though the U.S.'s LNG exports will inevitably compete against Qatar's primary source of revenue in the global market.

Qatar's departure from OPEC is a business decision, allowing Qatar the autonomy to develop its natural gas resources – its foremost economic strength – independent of other members' geopolitical agendas.

U.S. energy secretary pledges American support to wean Iraq off Iranian gas



BAGHDAD –Iraq’s stability rests on revitalizing its energy sector and weaning itself off natural gas imports, Energy Secretary Rick Perry said Tuesday during a rare visit by a member of President Trump’s Cabinet as Washington seeks to weaken Iraq’s ties to Iran.

Iraq faces a difficult challenge in balancing its allegiances to both the United States and Iran. Iranian natural gas plants account for nearly 50 percent of Iraq’s electricity, an arrangement that is threatened by new U.S. sanctions on Iran’s energy, banking and transportation sectors.

In addition to the two countries’ cultural, military and political ties, Iraq has been a critical trading partner for Tehran at a time when sanctions have contributed to a deepening economic crisis in Iran.

Perry said he discussed sanctions on Iranian oil exports with Iraqi officials but did not address whether the United States will extend a 45-day waiver granted to Iraq last month as it seeks other energy sources.

“Sanctions were mentioned. They are a reality; they are

there," he said.

Perry said U.S. companies are ready to partner with Iraq to rebuild an energy infrastructure destroyed by a nearly four-year war against the Islamic State militant group and to help develop the country's natural gas resources to serve energy-starved Iraqis.

But Perry stopped short of pledging U.S. taxpayer money toward the effort, urging Iraq's leaders instead to rush new policies that would significantly reduce the red tape for foreign investment and rein in rampant corruption.

"I think it's important for you to increase your energy diversity, your energy security, your national security while at the same time reducing your dependence on less-reliable countries seeking domination, control, using that energy resource," Perry said in an apparent reference to Iran during an event organized by the U.S. Chamber of Commerce. The conference was attended by representatives of 52 companies and Iraq's ministers of oil and electricity.

"The U.S. is well prepared to be a transparent, competitive and reliable source of [liquefied natural gas] to Iraq," he added.

Iraq has struggled to keep the lights on since the U.S.-led invasion in 2003, with major cities such as Baghdad still without round-the-clock electricity.

Over the summer, widespread protests roiled Iraq's southern Shiite heartland over the lack of basic services such as electricity and clean water, again highlighting the government's inability to improve living conditions for the majority of Iraqis amid a security and economic crisis.

The protests dealt a fatal blow to pro-U.S. prime minister Haider al-Abadi's bid for a second term in May elections.

His successor, Adel Abdul Mahdi, has struggled to complete his cabinet amid political infighting, but his choices for ministers of oil and electricity were approved with near-unanimous support from parliament – sending positive signals that Iraq sees its energy crisis as an urgent priority.

“This is a different administration that will move with speed to develop an energy sector that best serves the citizens of Iraq,” Perry said after meeting with Oil Minister Thamer Ghadban and Electricity Minister Luay al-Khatteeb.

Perry’s visit was the first by a member of Trump’s Cabinet this year and only the second since the president took office. Defense Secretary Jim Mattis visited Iraq in 2017 as major combat against the Islamic State wound down.

In his remarks, the former governor of Texas hewed to a U.S. policy shaped by Trump’s worldview: The United States will not directly fund the rebuilding of Iraqi cities destroyed by the U.S.-backed campaign to defeat the Islamic State and will instead focus on encouraging U.S. companies and nations elsewhere in the Middle East to do so – while pressuring Iraq’s government to ease the arduous processes of doing business in Iraq.

“Capital will come where it is welcome,” Perry said. “America and its business community stand ready to help you.”

“American innovation” can help restore Iraq’s electric grid, increase its crude oil exports, develop its natural gas reserves and rebuild its sagging infrastructure, Perry said, adding that his visit is proof that Iraq’s security environment has improved dramatically.

Douglas Ollivant, a managing partner of Mantid International, which works with U.S. companies in Iraq, said Perry’s visit was “an important symbolic appearance by the administration, reminding that Washington has not forgotten Baghdad.”

“It’s also very important that he was carrying a message of making Iraq more business-friendly,” Ollivant added.

Perry arrived the day after Iraqis observed the first anniversary of the nation’s declaration of victory over the Islamic State.

The occasion was marked by spontaneous street celebrations and military marches – and the limited opening of Baghdad’s Green Zone, a heavily fortified slice of the city that houses the sprawling U.S. Embassy, international diplomatic missions, government ministries and villas belonging to Iraq’s business and political elites.

The Green Zone has been closed to the public since 2003, when the U.S. invasion turned it into the cloistered administrative center of the occupation. It later became a symbol of the Iraqi government’s perceived detachment from the needs and concerns of the general public.

Abdul Mahdi ordered one of the wide boulevards of the Green Zone opened for a two-week trial starting Monday, from 5 p.m. to 10 p.m. – a move that he said could become permanent, despite objections from the United States. Other arteries and the leafy side streets of the area remain closed.

The U.S. Embassy responded to the limited opening of the area by restricting all American staffers from taking walks beyond the embassy gates, said a person familiar with the order who spoke on the condition of anonymity because the person was not authorized to speak with the media.

Why Is Qatar Leaving OPEC?



The decision to leave the oil cartel is aimed at reinforcing the country's autonomy from its Persian Gulf neighbors.

The surprising declaration by Qatar about leaving OPEC on Jan. 1 is a strategic response by the country to a changing energy landscape and the 18-month old ongoing boycott of Qatar by Saudi Arabia, United Arab Emirates, Bahrain and Egypt.

Qatar's decision to move away from a regionwide consensus among the Gulf's OPEC members is a reminder of the regional tensions arising from the assertiveness of Saudi Arabia, led by Crown Prince Mohammed bin Salman.

This display of autonomy spilled over into the six-nation Gulf Cooperation Council to which Qatar and three of its detractors belong and which held its annual summit on Sunday. Tamim bin Hamad al-Thani, the emir of Qatar, did not attend the council and sent a lower ranking delegation instead. Kuwait and Oman also hold reservations about the hawkish axis between Saudi

Arabia and the United Arab Emirates and will follow Qatar's decision closely.

The Gulf Cooperation summit did not discuss the blockade of Qatar and the rift in the gulf remains unresolved and, perhaps, unresolvable, as positions have hardened and neither Qatar nor the Saudi Arabia-led quartet wants to be seen to blink first.

By becoming the first of the energy-rich Gulf States to withdraw from OPEC, Qatar has signaled its disapproval with an organization perceived to be subject to increasing Saudi interference.

Saudi interference was starkly illustrated during an April 2016 meeting in Doha, the capital of Qatar, when Prince Mohammed, then the deputy crown prince, intervened to thwart an output agreement between OPEC and non-OPEC states. Emir Tamim had worked hard to secure the agreement both within OPEC and with Russia, only to see the Saudis pressure Qatar to disinvite Iran, a fellow OPEC member, and sink the deal midway through the meeting.

Although designed to address the sustained post-2014 slump in oil prices, the Cold War between Saudi Arabia and Iran trumped, in Prince Mohammed's view, the need to secure an agreement that could stabilize oil prices and assist producers' economies hit by shortfalls in revenue.

Qatar's decision to withdraw from OPEC builds on two decisions taken before and after Saudi Arabia and its allies cut ties with Qatar and imposed a blockade last June. In April 2017, it decided to significantly expand its production of natural gas to increase its natural gas capacity by 43 percent to 110 million tons annually. The Qatari leadership also responded to the attempt to isolate Qatar by forging a slew of new longer-term natural gas agreements with partners worldwide, including China, Japan and Britain, to demonstrate that Qatar remained

open for business.

Qatar made a strategic decision to direct national resources toward gas rather than oil as the backbone of its energy policy. While the country discovered oil in 1939, a year after Saudi Arabia and Kuwait, and joined OPEC in 1961, it never became a major player in global oil markets because its oil exports remained small by Persian Gulf standards.

In the 1970s, Qatar discovered vast quantities of natural gas in the offshore North Field, which straddles the maritime border between Qatar and Iran, with the largest part of the field in Qatari waters. The North Field remains the largest non-associated gas field ever found, with more than 130 years of reserves at current production rates of 77 million tons a year.

Since the early 1990s, Qatar has invested heavily in creating the infrastructure to export gas both through pipelines and as liquefied natural gas. By 2007, Qatar was the largest exporter of LNG in the world, with production plateauing in 2010 at 77 million tons a year. In contrast, its average oil production of 607,000 barrels per day in 2017 is less than 2 percent of OPEC's total output.

In April 2017, Qatar Petroleum lifted a 12-year moratorium on the further development of its natural gas resources that it had imposed in 2005 to allow time to study the impact of such a rapid rise in production on the condition and sustainable management of the North Field.

The decision to increase LNG production capacity to 110 million from 77 tons a year came two months before the Saudi-led attempt to isolate Qatar last June. Throughout the ongoing, 18-month-long blockade, Qatar has continued to supply natural gas to the Emirates through a pipeline that accounts for about a quarter of the Emirates' daily gas demand.

In November – a month before announcement of Qatar’s OPEC exit – a government reshuffle in Qatar saw Saad Sherida al-Kaabi, the former chief executive of Qatar Petroleum, appointed as Minister of State for Energy Affairs, a new portfolio that replaced the Minister of Energy and Industry.

During his term at Qatar Petroleum, Mr. Kaabi had lifted the moratorium on increasing gas production in the North Field. In his new ministerial position, Mr. Kaabi has been entrusted by Emir Tamim to oversee the next phase in Qatar’s gas development. Plans include a range of new upstream developments and international partnerships intended to cement the country’s position as the world’s leading supplier of LNG.

Having displayed their resilience in the face of the Saudi-led blockade, Qataris seem to signal their determination to move on from OPEC and carve their own approach to global gas markets.

A new deal to supply LNG to Britain, which receives nearly a third of its gas supply from Qatar, was announced just as the blockade came into effect last June. In September Qatargas signed a 22-year agreement to supply PetroChina with 3.4 million tons of LNG a year through 2040.

Those deals, along with Qatar honoring its natural gas commitment to the Emirates despite the rift, have reinforced the post-blockade effort to portray Qatar as a reliable energy partner and a responsible member of the international community.

Thus, Qatar’s decision to withdraw from OPEC is consistent with the strategic evolution of its energy interests that plays to their strength as a gas superpower and fits into existing plans to upscale significantly LNG infrastructure and production capacity.

It makes strategic sense to focus on a sector in which Qatar holds more than 30 percent of the global market share than on

its far smaller and declining oil output. By also reinforcing Qatar's autonomy from its Persian Gulf neighbors, the move exemplifies the failure of the 2017 blockade to force Qatar to clip its wings and return to a Saudi-led regional fold.

With neither Saudi Arabia nor the Emirates willing to back down or concede defeat, the Gulf rift is reshaping regional and institutional partnerships and increasing the degrees of separation among the parties to the dispute.

The GCC summit against a backdrop of regional crises



The 39th annual Gulf Cooperation Council (GCC) summit took place in Riyadh as the body is ridden with crises including regional disunity, challenges to sovereignty and the diminishing international reputation of Saudi Arabia, the biggest member state.

The GCC, made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE, was established in 1981 to foster socioeconomic, security and cultural cooperation in the region.

Yet, in recent years, it has been beset by problems and disputes, raising questions whether it is able to overcome such challenges in the spirit of collaboration.

Speaking from the summit on Sunday, the Emir of Kuwait Sabah Al Ahmad Al Jaber Al Sabah said the GCC must be able to “face the challenges in our region”.

“We need to keep our situation and our stand firm,” he said. “We have faced a lot of challenges, and on top of them, there are the differences between the different GCC nations. We need not risk the interests of our peoples.”

Regional crises

The summit is the second consecutive one held in the shadow of the blockade of Qatar by Saudi Arabia, the United Arab Emirates and Bahrain. Qatar’s Emir Sheikh Tamim bin Hamad Al Thani did not attend but sent his Minister of State for Foreign Affairs Soltan bin Saad Al-Muraikhi to represent the country.

The Qatar blockade, while stuck at an impasse, has had a major economic impact on Gulf investors with the emirate of Dubai particularly affected as property prices and stock indexes have fallen sharply.

Another crisis has been the heightened tensions between the UAE and Oman over Yemen’s southern province of al-Mahra that borders Oman. It is free from the presence of Houthi rebels, yet there are Saudi and UAE forces on the ground there, which Oman considers an infringement on its national security.

There is also the tension between Kuwait and Saudi Arabia over

the shared Neutral Zone, which consists of two oil fields – Khafji and Wafra – that are jointly owned by the two states. The oil fields have been closed since 2014 and 2015, respectively, and have the capacity to produce more than 500,000 barrels a day.

The fields would be crucial to Saudi meeting its official production ceiling of 12.5 million bpd of oil if they were to come back online.

The dispute between the two countries centres on the question of the who has sovereignty over the zone, which lies on a portion of the border between them that has been undefined for almost a century.

“We’re trying to convince the Kuwaitis to talk about the sovereignty issues, while continuing to produce until we solve that issue,” Saudi Crown Prince Mohammed bin Salman told Bloomberg in an interview in October.

Saudi Arabia’s predicament

Should the GCC disintegrate, Saudi Arabia would be the biggest loser, primarily because of its role as the largest country in size and resources, as well as the one that stood the most to benefit from the council.

The council has been affected by the oil kingdom’s recent crises, whether stemming from its geopolitical adversary with Iran or conducting unofficial backchannels with the state of Israel.

The assassination of Saudi journalist Jamal Khashoggi in the country’s consulate in Istanbul, Turkey also dealt a blow to Saudi Arabia’s reputation internationally.

Domestically, the reputation of the ruling Al Saud family has also taken a hit as a result of the arrests and torture of senior princes and prominent businessmen last November.

The arrest of religious scholars, alleged torture of female activists and dissenters and a weakened economy beg the question of where Saudi Arabia is heading and what repercussions the GCC will face.

Abdullah Baabood, an Omani academic, told Al Jazeera there is rising discontent from Omani citizens regarding the way the GCC "has been managed and manipulated by Saudi Arabia".

"The people look at what is happening [in terms of Saudi crises] as basically undermining the whole project of the GCC that has been going on now for decades," Baabood said from Muscat.

"People here in the Gulf want to see a more functional, prosperous GCC that works together," he continued, adding Saudi Arabia wants to manage the whole GCC and "bully everybody".

"The damage that has been caused by this crisis is much deeper than people think," he said. "How can you create a crisis and get everyone to work together?"