

# Israel-Iran war needs to stop before we all get burned



The long-feared war between Israel and Iran is now fully under way, and the repercussions threaten to include significant disruptions – not just for the two belligerents, but also for economies, peoples, and governments around the world.

To understand how and why an armed conflict between two regional powers could have such a widespread impact, start by considering the following:

1. Iran's reserves of crude oil and natural gas are, respectively, the second- and third-largest in the world;
2. While Israel has posited Iran's alleged nuclear activities as its reason for going to war, its strikes have also focused on Iran's oil and gas infrastructure;
3. At the time of this writing, five of Iran's nine major oil refineries had been hit and knocked out of service, along with storage depots and other facilities;
4. Israeli forces also started a huge fire at the South Pars gas field, which Iran shares with Qatar – and which holds almost as much gas as all of the other known gas fields on Earth.
5. For good measure, Iranian strikes against the Israeli refinery complex at Haifa have led to the shutdown of several offshore platforms, further crimping regional hydrocarbon output;

Now consider that it gets worse. The destruction or shutdown of Iran's ability to extract, process, distribute, and export hydrocarbons would cause tremendous problems at home, and put upward pressure on prices everywhere, although the global impact would likely be manageable. The situation would be far more disruptive if Israeli attacks hit Bandar Abbas area. That could cause prices for gas – and other forms of energy – to soar on world markets.

And yet even this is not the greatest peril threatened by this war. That desultory honour goes to the possibility that traffic could be disrupted in the Strait of Hormuz, the relatively narrow channel that connects the Gulf to the open ocean. The passage is only 40 kilometres at its narrowest

spot, wending for over 150 kilometres between Oman and the United Arab Emirates, to the west and south, and Iran's Hormozgan Province to the east and north. Hormozgan is also home to the famous port city of Bandar Abbas, which hosts a giant oil and petrochemical complex that has already been struck at least once by Israeli forces.

What really matters for our purposes is that Hormuz also connects several other of the world's most prolific oil and LNG producers – including Iraq, Kuwait, Qatar, and Saudi Arabia – to their overseas clients. As a result, every day, about a quarter of the world's crude oil and LNG requirements exit the Gulf through Hormuz, making it the most strategically important chokepoint of our times. If this flow were halted or even significantly slowed, the consequences could be disastrous for much of the world. Although most of these exports are typically bound for markets in Asia, even a brief reduction in available oil and gas could send crude prices, currently a little more than \$70 a barrel, shooting past \$100 or even \$120 in short order.

If such a supply crisis lasted any length of time, the global economy would enter uncharted territory. Not only would sky-high energy prices cause inflation to rise across the board, but fuel shortages could also be expected to cripple businesses of every size and sort. Transport and manufacturing, food processing and medical research, power generation, household heating and cooling, even the Internet itself: everything that depends on energy could slow to a trickle. A global recession would almost certainly ensue, and given the current trade environment, that might lead to another Great Depression.

So what might cause such an interruption? There are several possibilities, including the accidental sinking or crippling of a supertanker or two in just the right (i.e., wrong) place(s). Even if one or more accidents did not make Hormuz physically impassable, they could make insurance rates

prohibitively expensive, causing many would-be off-loaders to decide against hazarding their ships amid the crossfire. Alternatively, Iran could decide to close the strait in order to punish the “international community” in general, for not doing enough to rein in the Israelis.

Whatever the rationale, the potential for global economic ruin – not to mention the ecological and public health risks posed by leaks of oil, nuclear materials, and/or other toxins into the environment – is simply not a risk that most intelligent people want to run. It therefore behooves those with the power to change the situation to do everything they can to end the conflict before its costs become more than a fragile world economy can bear.

Another is how to get Iran to behave itself, and that, too, shapes up as a difficult task. The Islamic Republic has spent most of the past half-century seeking to undermine US and Israeli influence over the region, and its substantial investments in proxy militias abroad and its own military at home may be skewing high-level decision-making. As the saying goes, when all you have is hammer, everything starts to look like a nail.

Despite these obstacles, it remains a fact that war is almost never preferable to negotiation. Iran and Israel agree on very little, their objectives are often in direct opposition to one another, and each views the other as a murderous and illegitimate state. Nonetheless, whether they realise it or not, both sides have a vested interest in ending the current conflict. Given the massive disparities in their respective strengths and weaknesses, this conflict could turn into a long-term bloodletting in which the value of anything achieved will be far outstripped by the cost in blood and treasure.

But who will get the two sides to so much as consider diplomacy when both of them are increasingly committed to confrontation? Although several world leaders have offered to

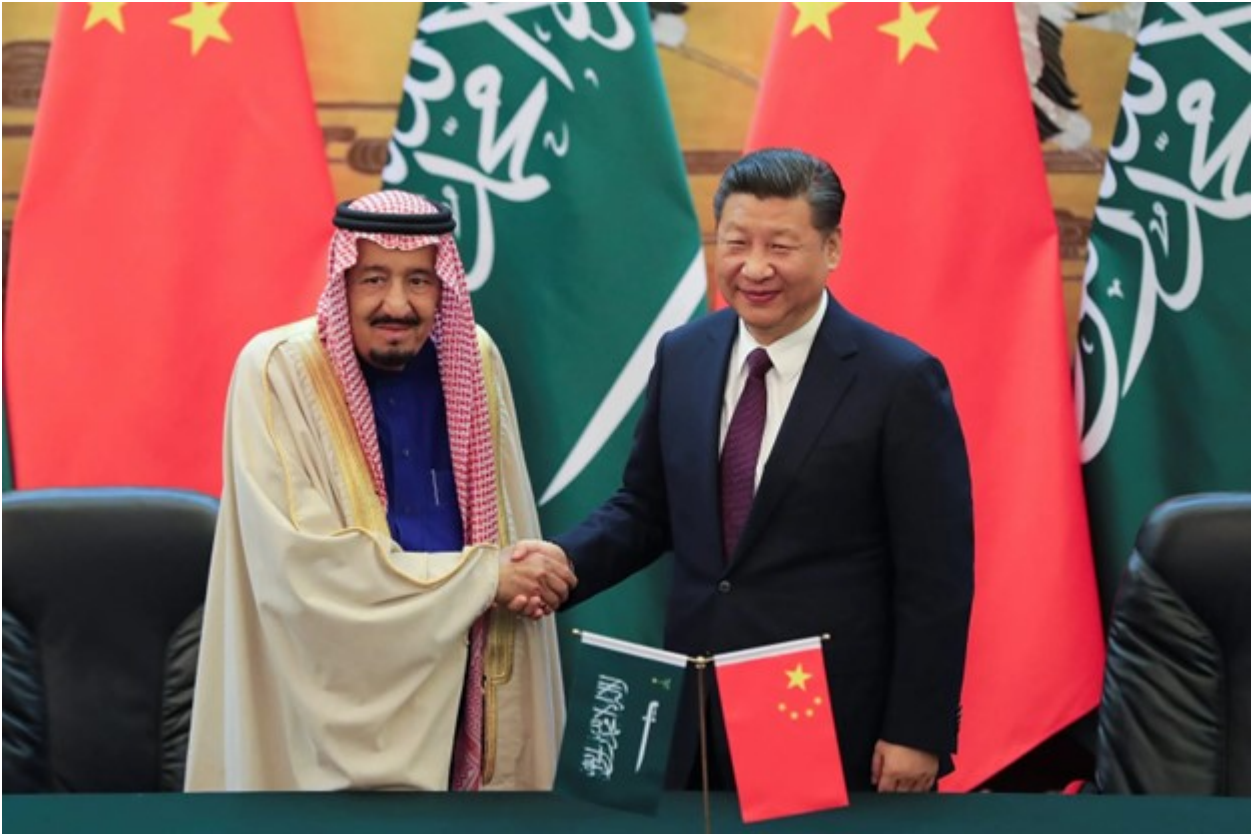
act as mediators, the belligerents don't trust very many of the same people. To my mind, this opens a door for Qatar, which has worked assiduously to maintain relations with all parties – and which already has a highly impressive record as a peacemaker – to step up in some capacity.

Whether it provides a venue for direct talks, a diplomatic backchannel for exchanging messages, or some other method, Doha has proved before that it can be a stable platform and a powerful advocate for peaceful negotiations. Let us hope it can do so again.

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## **AS AMERICA “PIVOTS TO ASIA”, SAUDI ARABIA IS ALREADY THERE – BY ROUDI BAROUDI**



The biggest news in the energy industry last week was that a state-owned Chinese company had completed a massive offshore oil and gas platform for Saudi Aramco. Breathless media reports shared impressive details about the facility's record-setting size, weight, and output capacity, with some describing it as a massive bet on continuing strong demand for fossil fuels despite the meteoric rise of renewables.

The real significance of this news, though, is not to be found at the Qingdao shipyard where it was made, at the headquarters of the China Offshore Oil Engineering Company that built it, or at the Marjan field off Saudi Arabia's east coast where it will be installed and operated.

In fact, in order to truly appreciate the implications involved, one needs to travel back in time a little more than 50 years. For on 8 June 1974, the United States and Saudi Arabia reached a historic agreement that has bound the two countries ever since.

Signed by then-US Secretary of State Henry Kissinger and then-Minister of Interior Prince Fahd bin Abdulaziz, the pact

established two joint commissions tasked, respectively, with increasing bilateral economic cooperation and with determining the kingdom's military needs. It also created several joint working groups responsible for specific elements to support growth and development, including efforts to: a) expand and diversify Saudi Arabia's industrial base, beginning with the manufacture of fertilizers and other aspects of the petrochemical sector; b) increase the number of qualified scientists and technicians available to make the most of technology transfers; c) explore partnerships in areas like solar energy and desalination; and d) find ways to cooperate in agriculture, especially in the desert.



Henry Kissinger with Prince Fahd of Saudi Arabia, 1974

Contrary to widespread misperceptions, the agreement did not say anything about Saudi crude being priced and/or transacted

exclusively in US dollars. In a side-deal that remained secret until 2016, however, the United States pledged full military support in virtually all circumstances and the Kingdom of Saudi Arabia committed to investing a massive share of its oil revenues in US Treasury bills. While there was no public quid pro quo, therefore, this was to some extent a distinction without a difference: the world's biggest oil exporter ended up spending hundreds of billions of dollars on American debt and American-made weapons, making it only sensible that the vast majority of its crude sales would be in greenbacks. By extension, the sheer weight of Saudi oil in world markets – and especially within the Organization of Petroleum Exporting Countries – virtually guaranteed that the dollar would become the de facto default currency of those markets, Petrodollars.

These arrangements suited both sides at the time, which featured a very particular set of circumstances. The previous year, as Egypt and Syria attempted to regain territories occupied by Israeli forces since the 1967 war, US President Richard Nixon authorized an unprecedented airlift of weaponry – everything from tanks, artillery, and ammunition to helicopters, radars, and air-to-air missiles – to Israel. Arab oil producers responded by playing their strongest card, announcing an oil embargo against states that supported the Israeli war effort. That led directly to supply shortages, soaring prices, and long lines at filling stations across the United States and many other countries, too, and indirectly to several years of higher inflation. Although the embargo had been lifted in March 1974, Washington was keen to prevent similar shocks in the future.

The American economy was particularly vulnerable to longer-term repercussions because of several factors, including a general slowdown caused by its long, expensive, and ultimately unsuccessful war in Vietnam. The real problem, though, stemmed from another issue: in 1971, as the dollar continued to lose ground against major European currencies, Nixon had taken the

United States off the gold standard, gutting the Bretton Woods arrangements put in place after World War II and throwing foreign exchange markets into disarray. With the Cold War as backdrop, America appeared to be losing ground in its strategic competition with the Soviet Union.

The so-called “side-deal”, then, was actually far more important than the public agreement because it would restore the dollar’s primacy in international markets, making it once again the world’s favorite reserve currency, while simultaneously reducing the likelihood of future Arab oil embargos. The new system worked very well for a very long time: the US economy regained its stability, and Saudi Arabia embarked on a long program of socioeconomic development that continues to this day. Even as the Americans have sought further protection by reducing their reliance on Saudi and other OPEC crude, their bilateral partnership and the dollar’s general prevalence in the oil business have likewise persisted despite all manner of diplomatic spats, crises, and other obstacles.

Back in the present-day, the Soviet Union is no more, and although the United States has an even more formidable strategic rival in China, this competition carries neither the day-to-day intensity nor the seeming inevitability of nuclear Armageddon that the Cold War engendered. In addition, the United States is now producing more crude oil than any country ever has, further insulating its economy against exogenous shocks, while China’s rapid expansion has made it the world’s most prolific energy importer. In fact, Washington is years into a “pivot to Asia” that will see it focus less attention on the Middle East.

Meanwhile, Saudi Arabia is now led by Crown Prince, Mohammed bin Salman (MBS), a young and highly ambitious ruler who has shown himself more than willing to act independently of American desires or even demands. Accordingly, it should not surprise anyone that the behemoth facility now being

transported to Marjan is just the most visible tip of the Sino-Saudi iceberg. Theirs is a burgeoning relationship driven by complementary needs, with both parties investing in one another's economies and cooperating on large-scale energy and industrial projects.

Given all of the foregoing, it is much too early to declare the end of an era. Even if rumors that the Saudis will soon start selling oil futures contracts in yuan or other currencies turn out to be true and the results include an erosion of the dollar's value, the US-Saudi economic relationship remains very much in place, as do defense ties ranging from procurement and maintenance to joint exercises and training. This is not to mention the approximately 60,000 Saudi students who study at American universities every year, or the countless other business and/or personal ties nurtured over decades.



Then, US President, Jimmy Carter receiving the Crown Prince Fahd of Saudi Arabia at the White House in Washington, 1977. Seeing the continuation of the Petrodollar Agreement.

All the same, a new era has definitely begun: just as the Americans have opened up other avenues to secure their energy needs, the Saudis are now moving decisively to diversify their foreign partnerships and have been doing so for many years. Inevitably, the global oil and gas economy's center of gravity will shift eastward, but how could it be otherwise when China and several other Asian economies have become such powerhouses? The diversification path will almost certainly include occasional stretches where Riyadh will have to make difficult decisions, but this, too, reflects the confidence that MBS has in his country's ability to determine its own destiny.

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# السعودية - الصين: شراكة نفطية ترسم معالم عصر جديد في الطاقة

يمثل #التعاون النفطي بين السعودية والصين أحد أهم الشراكات الاستراتيجية في العصر الحديث، إذ يجمع بين أكبر مصدر للنفط في العالم وأكبر مستورد له. إلا أن هذا التعاون لا يقتصر على تجارة النفط وحدها، بل يشمل استثمارات مشتركة تهدف إلى تعزيز العلاقات الاقتصادية الثنائية، خصوصاً مع توسع "#أرامكو السعودية" في السوق الصينية.

## !"منصة "مرجان

بلغت #الاستثمارات الصينية في السعودية 16,8 مليار دولار في عام 2023، في مقابل 1,5 مليار دولار في عام 2022، استناداً إلى بيانات بنك الإمارات دبي الوطني. في هذا الإطار، يوضح الدكتور خالد رمضان، الخبير النفطي ورئيس المركز الدولي للدراسات الاستراتيجية بالقاهرة، لـ "النهار" أن هذا #لتعاون النفطي السعودي - الصيني يؤثر إيجاباً في #أسواق الطاقة العالمية، "وما منصة 'مرجان' النفطية البحرية التابعة لأرامكو في الصين إلا ترجمة فعلية لهذا التعاون"، وستستخدم لزيادة الإنتاج السنوي لحقل المرجان النفطي إلى 24 مليون طن.

وتعد منصة "مرجان" أثقل منصة نفط وغاز بحرية في الصين مخصصة للأسواق الخارجية، وواحدة من أكبر المنصات في العالم، فهي أطول من مبنى مكون من 24 طابقاً، وتعادل مساحة سطحها 15 ملعب كرة سلة، ويمكنها جمع ونقل 24 مليون طن من النفط و7,4 مليارات متر مكعب من الغاز سنوياً.

## شراكة في التنمية

يضيف رمضان: " أبرمت أرامكو السعودية في عام 2023 صفقات بقيمة 8 مليارات دولار مع شركاء صينيين في قطاعي المنبع أي الاستكشاف والإنتاج، والمصب أي التكرير والتوزيع". إلى ذلك، توظف نظرتها المتفائلة إلى إمكانات النمو في الصين على المدى الطويل، والفرص عالية الجودة، "من أجل توسيع عملياتها المتكاملة في قطاع الصناعات التحويلية الصينية، والتي يمثل الاستثمار فيها أهمية". "استراتيجية لنمو أعمال أرامكو في آسيا

يلفت رمضان إلى أن دور أرامكو يتجاوز الاستثمار، "لأنها تريد أن تكون شريكاً رئيسياً في التنمية الاقتصادية في الصين، والاستفادة من الفرص الجديدة التي تلوح في الأفق، من خلال شراكات استراتيجية تعزز وجودها في قطاع الصناعات التحويلية في الصين، بما فيها المواد الكيميائية والمواد المركبة المتقدمة والمواد غير المعدنية".

وهكذا، تظل الصين محورية في استراتيجية أرامكو لتنويع محفظتها،

لتشمل منتجات كيميائية أكثر تخصصًا وعالية القيمة، خصوصاً أن الصين تمثل 40 في المئة من مبيعات المنتجات الكيميائية العالمية. تعزيز سلاسل التوريد

الصين ثاني أكبر اقتصاد في العالم، لذا تعد أكبر مستورد للنفط الخام، إذ تستهلك 14 مليون برميل يوميًا، تليها أوروبا بنحو 12,8 مليون برميل يوميًا. من ناحية أخرى، تعد السعودية أكبر مصدر للنفط الخام في العالم، تليها روسيا وكندا والنرويج ونيجيريا. وانطلاقاً من هذا الواقع، "سهل أن نرى كيف يمنح توسيع التعاون النفطي بين الصين والسعودية الأسواق استقراراً أكبر، ويعزز أمان سلاسل الإمداد النفطية، ويزيد فرص المنافسة في الأسواق العالمية"، بحسب ما يقول الخبير النفطي الدولي رودي بارودي.

ويضيف لـ "النهار": "بالنسبة إلى السعوديين، سيضمنون شريكاً استراتيجياً طويل الأمد، لن يشتري النفط الخام فحسب، بل يستثمر أيضاً في سلسلة النفط اللاحقة، من المصافي إلى مصانع البتروكيماويات". فأرامكو السعودية، أكبر شركة نفط في العالم، مستثمر كبير في مشروع "رونغشينغ سينوبيك فوجيان" للتكرير (Rongsheng Sinopec Fujian Refining & Petrochemical venture) والبتروكيماويات وفي شركتين كبيرتين للبتروكيماويات هما (Rongsheng Petrochemical) و"رونغشينغ (Hengli Petrochemical) "هينغلي وتفاوض أرامكو لشراء 10 في المئة في "هينغلي"، (Rongsheng Petrochemical). وتسعى لإبرام صفقات مماثلة مع شركتين صينيتين أخريين، بعدما أبرمت صفقة منفصلة قيمتها 3,4 مليارات دولار لشراء حصة في شركة "رونغشينغ" في العام الماضي.

### تحالف مؤثر

في الضفة الأخرى، استثمرت الصين مليارات الدولارات في السعودية، "حيث دخلت الشركات الصينية على خط مشاريع سعودية واسعة النطاق تركّزت في معظمها في التكرير والبنية الأساسية للغاز"، بحسب بارودي، الذي يضيف: "من شأن التعاون الطويل الأجل بين البلدين أن يعيد تشكيل أجزاء من المشهد النفطي والبتروكيماوي العالمي ويؤكد الخبير النفطي الدولي أن أرامكو السعودية مستثمر كبير في صناعة الهيدروكربون في الصين، "والجانبان يركزان جهودهما على توسيع مصانع إنتاج السوائل وتحويلها إلى كيماويات في مصفاة الجبيل بالسعودية، وفي وحدة البتروكيماويات في نينغبو تشونجين بالصين".

ويرى بارودي أن هذا التطوّر في العلاقة التصنيعية والتحويلية هو "نتاج علاقة استراتيجية دبلوماسية سعودية - صينية، بدأت تحاك قبل أكثر من ثلاثة عقود، لا تقتصر على التجارة والاستثمارات المتبادلة، بل تتعداها إلى تحالف تنعكس آثاره على الاقتصاد العالمي، ما من شأنه أن يقلل من تأثير أي تباطؤ اقتصادي في المستقبل، وأن يحمي "أسواق الهيدروكربون والبتروكيماويات".

إلى جانب ذلك، يعزز التعاون بين السعوديين والصينيين التحول العالمي في مجال الطاقة، بفضل التوافق في الرؤى التنموية بين البلدين. رؤية "السعودية 2030" ومبادرة "الحزام والطريق" الصينية تستهدفان إضافة المزيد من الاستثمارات في الطاقة المتجددة. ومن هنا، تستهدف أرامكو الاستفادة من الطلب المتزايد على الصناعات الخضراء الناشئة في الصين، "ليتطور التعاون الصيني - السعودي في مجال الطاقة من مجرد تعاون في مصادر طاقة تقليدية ليشمل قطاع الطاقة الجديدة"، بحسب رمضان.

### شراكة تبادلية

يقول بارودي إن هذا التعاون يرتقي يوماً بعد يوم إلى مستوى الشراكة التبادلية، "الفوائد متبادلة، ويعمل كل من الطرفين على تنويع إيراداته، وخفض إنفاقه الإنتاجي"، مذكراً بأن هذا التعاون "يدعم قدرة البلدين على تحقيق استقرار الاقتصاد العالمي، إذ يبشر بتغييرات مالية ضخمة".

فمحتمل جداً أن تبدأ السعودية بقبول اليوان الصيني، من بين عملات آسيوية أخرى، بوصفه عملة معتمدة في التبادلات النفطية. وهذا، برأي بارودي، يمنح الصين والسعودية مزايا اقتصادية كبيرة، خصوصاً أن المملكة جادة في مسيرة تنويع مصادر اقتصادها، والخروج من دائرة "الاعتماد الكلي على الإيراد النفطي".

يضيف بارودي: "إن تحققي المملكة هذا الهدف سيشكل نقطة تحول أساسية في سياستها الاقتصادية عموماً، والنفطية خصوصاً، إذ ستكمل تحررها من قيود البترو-دولار بعد اتفاقية مع الولايات المتحدة دامت 50 عاماً، وبعد دخولها مع الصين في مجموعة الـ 'بريكس' التي وضعت نصب عينيها الوقوف في وجه هيمنة الدولار الأميركي على الاقتصاد العالمي".

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## China delivers heaviest offshore oil and gas platform for Saudi deployment



The Marjan oil and gas collection and transportation platform is seen as breakthrough of construction technology of large-scale offshore oil and gas platform for the Chinese builders, weighing more than 17,200 tons, making it one of the world's largest.

The platform is expected to collect and transport 24 million tonnes of crude oil and 7.4 billion cubic meters of associated gas every year. Its platform scale, pipeline types and sizes, and system complexity all setting new records compared to similar platforms.

Construction of the project took 34 months.

Delivery of the platform project will help the Chinese industry players transform from sub-contractor to main-contractor in global offshore engineering market, said China Offshore Oil Engineering.

The platform will be transported to its installation site 6,400 nautical miles away in the waters off Saudi Arabia at the end of August to improve Marjan oilfield's production capacity.