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The European electricity situation is a complete mess.

We've just emerged from COP26 with everybody talking about phasing out hydrocarbons, and now we've got Germany planning to fire up coal plants. Germany is also moving towards LNG, but the issue is where to get it from. New Qatar supply won't start up till 2025 and supply from the US Golden Pass LNG Terminal not until 2024. In the meantime, Europe's basically outbidding emerging markets for LNG. We're also seeing oil trade flows start to crystallize into new patterns. Iraq has been very aggressive in terms of cutting their pricing into Europe, certainly in comparison to the Saudis and Kuwaitis, and that seems to be starting to pay dividends.

Can Europe hold together in its appetite to face off with Russia?

We're seeing real political divisions, with the UK and Eastern Europe tending to take a more hardline stance, while France and Germany are tending to be more conciliatory to try and cut a deal with Putin.

What does US President Biden get from coming to Saudi Arabia?

Oil is going to be one of the issues to discuss, but he's also going to Israel and meeting other countries like Iraq and Jordan in the GCC, so security will also be top of the agenda, including Iran, which is getting closer and closer on its enrichment capabilities. If Iran is effectively capable of producing nuclear weapons, we will need a complete reset of the talks on that deal. If Biden can demonstrate he can pivot the relations with Saudi, it will have more impact on the domestic front than the fundamentals of adding a bit more oil, which is not going to move the market. Saudi Arabia also wants to make sure that they maintain some spare capacity in case something even bigger happens in Libya, for instance, or in another volatile hot spot. ■

**Paraphrased Comments*



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