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Middle East Economic Survey

OPEC+ countries miss their oil production quotas for various reasons.

The COVID-19 pandemic had a big impact on upstream investment in many OPEC+ states, and before that member-countries like Iraq and Libya had to contend with political and social unrest; and countries like Iran and Venezuela have been under sanctions and not been able to invest into their own energy sectors. Overall, there were problems in terms of cash flow and at the same time, management issues. Not every NOC has the same level of competence as ARAMCO or ADNOC throughout the OPEC's sphere of countries.

Supply concerns are what drives the market.

Oil producers have argued that investments in upstream oil and gas projects should continue as there is a risk of supply crunch, and thereby high energy prices. Since 2015, the UAE, Saudi Arabia, and other OPEC producers have been shouldering any investment into the upstream sectors in their region. Within the context of the energy transition, Saudi Arabia and the UAE have been promoting a low carbon transition agenda through technologies like carbon capture, utilization and storage, blue hydrogen, green hydrogen, and renewables. They are trying to be technology leaders in this field.

Impact of tightening cycle on Middle East oil producers?

It will depend on each country and how it finances projects. With the Ukraine crisis, there is an emphasis on bringing investments into key capacities, especially gas. For instance, Qatar had brought the gas majors into the north fields east projects which will boost the LNG capacity from some 77 millon tons per year to 110 mn tons per year. There is also a lot of interest in the East Med and North Africa. How are these projects going to be financed? Do they come from the end of season funds, or do they come from investors? In both cases, it all depends on the internal finances of the energy majors that are less entangled on other projects. ∎

Paraphrased Comments

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