The 37th IAEE International Conference
“Energy & the Economy”
June 15-18, 2014
New York, USA

-----------------------------------------------
Major Geopolitical Developments that Could Impact
on Oil Supplies from the Arab Gulf Region

-----------------------------------------------
By
Dr Mamdouh G. Salameh
Director
International Oil Economist / World Bank Consultant
UNIDO Technical Expert

World Bank, Washington DC / Oil Market Consultancy Service
Spring Croft, Sturt Avenue
Haslemere, Surrey GU27 3SJ
United Kingdom
Tel: (01428) – 644137
Fax: (01428) -656262
e-mail: mgsalameh@btconnect.com
Overview

• Four major geopolitical developments have the potential to impact on the flow of oil supplies from the Arab Gulf region: Iran’s nuclear programme, the US shale oil revolution, the natural gas discoveries in the east Mediterranean and the steep-rising domestic oil consumption among the Arab Gulf States and a lack of meaningful diversification of their economies.

• The presentation will argue that whilst Iran’s nuclear programme with the inherent risk of war in the Gulf could have direct & serious impact on the flow of oil from the region and the price of oil, its impact would be short-lived. On the other hand, both the US shale oil revolution and the east Mediterranean gas discoveries would virtually have no impact.

• The presentation will, however, warn that the real threat to oil supplies from the Gulf region in the long term actually comes from the steeply-rising domestic oil consumption among the Gulf states and a lack of meaningful diversification of their economies.
Iran’s Nuclear Programme

• Oil is at the heart of Iran’s nuclear programme. Iran needs nuclear energy to replace the crude oil and natural gas currently being used to generate electricity, thus allowing more oil and gas to be exported. Without nuclear power, Iran could cease to remain a major crude oil exporter and could be relegated to the ranks of medium exporters as early as 2015 with catastrophic implications for its economy and also the price of oil.

• In the furore about Iran’s nuclear programme, one important fact is being overlooked – Iran’s oil resources may not be sufficient to supply its rapidly growing population without major cuts in oil exports.

• The US government has argued strongly that a country so apparently well-endowed with oil and natural gas as Iran cannot have any legitimate need to develop nuclear energy.
Iran’s Nuclear Programme
(Continued)

• However, when the Shah started Iran’s nuclear energy programme in 1974 with encouragement from the Nixon administration, nuclear power could not be justified then economically as Iran’s population was less than half its present 75 million, oil production was 6 million barrels a day (mbd), almost double the present production of 3.20 mbd and energy consumption was less than a quarter of consumption today, and unlike now, Iran’s oil reservoirs were not in decline.

• The question is: since the United States strongly encouraged the Shah to build nuclear power plants in 1974, why is it objecting now to Iran pursuing a nuclear programme? The answer is that in 1974 the Shah of Iran was a great friend of Israel while in the opening decades of the twenty-first century, Iran is no longer friendly with Israel.
• From a peak production of 6 mbd and crude oil exports of 5.7 mbd in 1974, Iran in 2013 was struggling even to produce 3.20 mbd with net exports down to 1.21 mbd. And if the current trend continues, Iran’s projected consumption of 2.07 mbd by 2015 would leave it with only 1.13 mbd for export (see Table 1).
### Table 1
Consumption, Exports & Sustainable Capacity, (2009-2030)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production capacity</td>
<td>3.60</td>
<td>3.60</td>
<td>3.60</td>
<td>3.60</td>
<td>3.50</td>
<td>3.50</td>
<td>3.25</td>
<td>3.00</td>
</tr>
<tr>
<td>Production</td>
<td>3.56</td>
<td>3.54</td>
<td>3.58</td>
<td>3.47</td>
<td>3.20</td>
<td>3.20</td>
<td>3.15</td>
<td>3.00</td>
</tr>
<tr>
<td>Consumption</td>
<td>2.00</td>
<td>1.94</td>
<td>1.88</td>
<td>1.97</td>
<td>1.99</td>
<td>2.07</td>
<td>2.23</td>
<td>2.71</td>
</tr>
<tr>
<td>Net exports/Imports</td>
<td>1.56</td>
<td>1.60</td>
<td>1.70</td>
<td>1.50</td>
<td>1.21</td>
<td>1.13</td>
<td>0.92</td>
<td>0.29</td>
</tr>
</tbody>
</table>

Iran claims to have proven reserves of 157 billion barrels (bb). However, a number of international experts have disputed this figure (see Table 2).
Table 2

Iran’s Remaining Proven Oil Reserves, 2012 (bb)

<table>
<thead>
<tr>
<th></th>
<th>Oil &amp; Gas Journal</th>
<th>BP Statistical Review 2012</th>
<th>Samsan Bakhtiari</th>
<th>Mamdouh Salameh</th>
<th>Ali Saidi</th>
</tr>
</thead>
<tbody>
<tr>
<td>157.0</td>
<td>157.0</td>
<td>36.0</td>
<td>30.0</td>
<td>37.0</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Oil & Gas Journal / BP Statistical Review of World Energy, June 2013/ Iranian experts’ research on Iran’s oil reserves / Author’s calculations.
Nuclear Power to the Rescue

- Nuclear power may have an important role in restricting the consumption of hydrocarbons in Iran and allowing more oil and gas to be exported.

- In 2012, Iran used the equivalent of 610,000 barrels a day (b/d) of oil and natural gas to generate electricity (see Table 3). By 2015, Iran will need to use some 770,000 b/d of oil and gas for electricity generation.

- Generating nuclear electricity will enable Iran to replace at least 93% of the oil and gas used in electricity generation in 2020, thus adding some 1.00 mbd to its oil and gas exports and earning an extra $46 bn. Based on these figures, Iran’s quest for nuclear energy seems justifiable.
### Table 3
**Iran’s Current & Projected Electricity Generation, 2012-2030**

<table>
<thead>
<tr>
<th>Volume</th>
<th>2012</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billion kWh</td>
<td>355</td>
<td>447</td>
<td>657</td>
<td>965</td>
<td>1418</td>
</tr>
<tr>
<td>mbd</td>
<td>0.61</td>
<td>0.77</td>
<td>1.12</td>
<td>1.65</td>
<td>2.43</td>
</tr>
</tbody>
</table>

Iran’s Energy Data: [www.eia.doe.gov/cabs/background.html](http://www.eia.doe.gov/cabs/background.html).
How Effective Are Sanctions
-----------------------------------------------------------------------

• The only sanctions which might hurt Iran are those that ban its crude oil exports. But agreeing on such sanctions is virtually impossible.

• Even if by the very unlikely chance such sanctions have been agreed upon by the Security Council, Iran’s retaliation would be immediate and destructive. They could easily mine the Strait of Hormuz in the face of 17 mbd (20% of oil traded worldwide) exported by the Arab Gulf oil producers and about 2 trillion cubic feet (tcf) of natural gas per year exported by Qatar. This could plunge the world in the biggest oil crisis in its history and push the price of oil to $150-$200 a barrel thus sending the global economy back into recession.

• And in a blatant act of defiance, Iran may even attempt to sabotage the Saudi oil installations in Ras Tannura, the biggest in the world. That is why sanctions against Iran will not work.
War Against Iran?

Like sanctions war will not work either. Iran’s retaliation will be in the form of plunging the world in the biggest oil crisis that could cost the global economy between $3.56 bn and $8.00 bn daily in oil price differences alone.
Circumventing the Strait of Hormuz?

- The Strait of Hormuz is a vital oil choke point. Its navigational portion is only six miles with two shipping channels each two miles wide, separated by a buffer zone.

- Even a 50% reduction of this flow could cause a dramatic increase in oil prices worldwide. Closure of the Strait might triple current prices.

- Only Iraq, Saudi Arabia and UAE presently have pipelines able to ship crude oil outside the Gulf, and only the latter two countries currently have additional pipeline capacity to circumvent the Strait of Hormuz.

- Total operable pipeline capacity that could bypass the Strait of Hormuz at the start of 2014 stood at 6.7 mbd of which 2.8 mbd is not utilized. This means that some 10.3 mbd can’t find their way into the global oil market if Iran does block the Strait of Hormuz (see Table 4).
Table 4  
Operable Crude Oil Pipeline Capacity That Bypass the Strait of Hormuz, 2014 (mbd)

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Kirkuk-Ceyhan (Iraq/Turkey)</th>
<th>Saudi Petroline (Saudi)</th>
<th>Habshan-Fujairah (UAE)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity</td>
<td>0.4</td>
<td>4.8</td>
<td>1.5</td>
<td>6.7</td>
</tr>
<tr>
<td>Throughput</td>
<td>0.4</td>
<td>2.0</td>
<td>1.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Unused Capacity*</td>
<td>0.0</td>
<td>2.8</td>
<td>0.0</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Source: US Energy Information Administration (EIA).
- Unused capacity is defined as pipeline capacity that is not currently utilized and can be readily available.
Map 1
The Strategic Habshan-Fujairah Oil Pipeline
UAE
US Shale Oil Revolution

• Much has been written about the United States shale oil revolution. Some sources like the International Energy Agency (IEA) went as far as to predict that the United States will overtake Saudi Arabia and Russia to become the world’s biggest oil producer by 2020 and oil self-sufficient by 2030.

• Others called it a game-changer with a new emerging balance of power in the global oil market.

• However, it begs the questions: what is the potential contribution of shale oil to future global oil supply? Will the high development costs, environmental impacts and challenges affect this potential? And will it be possible to replicate the US success story globally?
US Shale Oil Reserves

• There are large uncertainties about the size of US shale oil resources with estimates ranging between 700 bb to 2.0 trillion barrels (tb).

• Even if the in-place volumes are large, reserves will not be as high due to very low recovery factors, presently in the range of 1% to 10%. It is one thing having huge resources of shale oil in-place and quite another turning them into a sizeable production capacity.

• According to the US Energy Information Administration’s (EIA’s) 2012 Energy Outlook, the unproved technically recoverable shale and tight oil resources in the US were estimated in 2010 at 33 bb.
US Shale Oil Potential

US shale oil production is projected to increase from about 1mbd in 2012 to 2 mbd in 2020, possibly reaching 3 mbd by 2025 before starting to decline.

The new wells are expensive to develop (in the order of $10 million each). This relatively high cost arises from the steep first year decline rate of 70% - 90% for new wells.

With shale/tight oil one has to keep drilling just to maintain production. If one tries to increase production by drilling wells faster, one just ends up running out of oil sooner (see Figures 1 & 2).
Figure 1

Type Decline Curve for Bakken Shale Oil Wells

Yearly Declines:
- First Year = 69%
- Second Year = 39%
- Third Year = 26%
- Fourth Year = 27%
- Fifth Year = 33%

© Hughes GSR Inc, 2012
(data from DI Desktop, HPOL, September, 2012)
Figure 2

Bakken Shale Oil Production vs Operating Wells

Peak 1099 Kbbls/day in 2015 if 2000 Wells added each year
Peak 973 Kbbls/day in 2017 if 1500 Wells added each year

Production (Thousand Barrels per Day)

- Production at 1500 wells/year
- Production at 2000 wells/year
- Drilling Rate 1500 wells/year
- Drilling Rate 2000 wells/year

Number of Wells

Production

Year


Production (Thousand Barrels per Day)

18000 16000 14000 12000 10000 8000 6000 4000 2000 0

Number of Producing Wells

© Hughes GSR Inc, 2012 (data from DI Desktop, HPOL, September, 2012)
US Oil Production

- US oil production including shale oil is projected to increase from 6.41 mbd in 2012 to an estimated 7.90 mbd in 2014 (see Table 5).

- After about 2020, production begins declining gradually reaching a projected 6.1 mbd by 2035 as producers develop sweet spots first and then move to less productive or less profitable drilling areas.

- Oil imports are projected to decline from 65% of consumption in 2012 to 58% by 2015 before they resume their rise reaching 69% by 2035. The fall of imports since 2009 reflected two things: a decline in domestic demand in the wake of the 2008-09 global financial crisis and increasing shale oil production.

- This means that there is neither a chance for the United States ever to become self-sufficient in oil nor to overtake either Saudi Arabia or Russia in oil production (see Table 6).
<table>
<thead>
<tr>
<th>Year</th>
<th>Production (mbd)</th>
<th>Consumption (mbd)</th>
<th>Net Imports (mbd)</th>
<th>As a % of Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6.41</td>
<td>18.46</td>
<td>12.05</td>
<td>65%</td>
</tr>
<tr>
<td>2013</td>
<td>7.45</td>
<td>18.90</td>
<td>11.45</td>
<td>61%</td>
</tr>
<tr>
<td>2014</td>
<td>7.90</td>
<td>18.89</td>
<td>10.99</td>
<td>58%</td>
</tr>
<tr>
<td>2015</td>
<td>7.90</td>
<td>18.99</td>
<td>11.09</td>
<td>58%</td>
</tr>
<tr>
<td>2016</td>
<td>7.80</td>
<td>19.02</td>
<td>11.22</td>
<td>59%</td>
</tr>
<tr>
<td>2017</td>
<td>7.50</td>
<td>19.11</td>
<td>11.61</td>
<td>61%</td>
</tr>
<tr>
<td>2018</td>
<td>7.40</td>
<td>19.14</td>
<td>11.74</td>
<td>61%</td>
</tr>
<tr>
<td>2019</td>
<td>6.93</td>
<td>19.30</td>
<td>12.37</td>
<td>64%</td>
</tr>
<tr>
<td>2020</td>
<td>6.49</td>
<td>19.45</td>
<td>12.96</td>
<td>67%</td>
</tr>
<tr>
<td>2025</td>
<td>6.10</td>
<td>19.61</td>
<td>13.51</td>
<td>69%</td>
</tr>
</tbody>
</table>

Table 6
IEA Projections of US, Saudi Arabia & Russia’s Oil Production, 2015-2035 (mbd)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2020</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>10.00</td>
<td>11.10</td>
<td>9.20</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>10.90</td>
<td>10.60</td>
<td>12.30</td>
</tr>
<tr>
<td>Russia</td>
<td>10.00</td>
<td>10.00</td>
<td>9.00</td>
</tr>
</tbody>
</table>

Source: IEA’s Annual Energy Outlook 2012.
US Shale Oil Contribution to Global Oil Supplies

• In 2012 US shale oil production contributed 1% to global oil supplies and this is projected to rise to 2% by 2020 possibly reaching 3% by 2025 before starting its decline (see Table 7). Such a level of production will hardly make a dent in global oil supplies.
Table 7
World Oil Demand & Supply, 2012-2035 (mbd)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World Oil Demand</td>
<td>89.77</td>
<td>90.70</td>
<td>91.60</td>
<td>92.50</td>
<td>96.30</td>
<td>100.70</td>
<td>104.60</td>
<td>108.50</td>
</tr>
<tr>
<td>World Oil Supply</td>
<td>86.15</td>
<td>86.93</td>
<td>87.71</td>
<td>88.50</td>
<td>91.36</td>
<td>94.61</td>
<td>97.48</td>
<td>99.94</td>
</tr>
<tr>
<td>Non-OPEC</td>
<td>48.35</td>
<td>49.90</td>
<td>50.94</td>
<td>51.63</td>
<td>52.16</td>
<td>51.11</td>
<td>50.58</td>
<td>50.09</td>
</tr>
<tr>
<td>OPEC</td>
<td>36.80</td>
<td>35.90</td>
<td>35.50</td>
<td>35.60</td>
<td>37.20</td>
<td>40.50</td>
<td>43.90</td>
<td>47.10</td>
</tr>
<tr>
<td>US Shale oil</td>
<td>1.00</td>
<td>1.13</td>
<td>1.27</td>
<td>1.27</td>
<td>2.00</td>
<td>3.00</td>
<td>3.00</td>
<td>2.75</td>
</tr>
</tbody>
</table>

Demand / Supply
Deficit *         | - 3.62| - 3.77| - 3.89| - 4.00| - 4.94| - 6.09| - 7.12| - 8.56|
Shale oil as % of Global Supply | 1%  | 1%   | 1%   | 1%   | 2%    | 3%    | 3%    | 3%    |


*The demand/supply deficit is accounted for by stock changes, consumption of non-petroleum additives and substitute fuels. Otherwise it will be reflected in higher oil prices.
The Natural Gas Discoveries in the Eastern Mediterranean

- In the past few years, there has been significant offshore discoveries of natural gas and possibly oil in the Eastern Mediterranean, that look set to open up new economic possibilities and redefine strategic relationships.

- The confirmed and potential gas discoveries by Cyprus, Lebanon and Israel are estimated at 59 tcf with possibly more to come.

- However, a 2010 US Geological Survey (USGS) report estimated that there could be up to 122 tcf of gas and 1.7 billion barrels (bb) of oil off the coasts of Lebanon, Israel, the Gaza Strip, Cyprus and Syria (see Figure 3).
A Game Changer for the Littoral Countries

• For Lebanon, the potential benefits of a domestic supply of gas are immediately clear. If proven, the gas reserves will change the whole structure of the country’s economy. With $61 bn in the red, Lebanon has one of the highest rates of public debt to gross domestic product (GDP) in the world.

• The gas discoveries have changed Israel’s energy calculus. The country could now meet all of its energy needs and could also export gas to Europe or the Asia-Pacific region – a significant strategic shift.

• For Cyprus, the estimated reserves of up to 8 tcf would more than cover Cyprus’s entire energy needs for many years to come. They could also provide a lifeline to Cyprus’ economy which is on the verge of bankruptcy.
The Geopolitical Impact
------------------------------------------------------

• These gas discoveries are not only changing the energy calculus in the east Mediterranean but also creating some new geopolitical developments.

• Israeli and Cypriot gas exports could compete with Russian gas supplies to Europe. The Russians, recognizing the ramifications of competition, are already looking into the possibility of playing a major role in their development.

• Then there is Turkey. Turkey has long sought to establish itself as an energy hub through which oil and gas supplies from the Middle East, Russia and the Caspian are transported to Europe, thus improving its EU membership prospects by offering energy security to Europe. So from a commercial and political point of view, Turkey is worried about the advent of an alternative source of gas and a new transport route to Europe, possibly through Greece. They're trying to prevent major companies from entering the Cyprus energy field by threatening to ban them from any business activities with Turkey.
The Geopolitical Impact  
(continued)

- Exports of gas and LNG from the east Mediterranean could also compete with Qatar’s LNG exports. Qatar is the world’s leading exporter of LNG with exports amounting to 131 bcm a year.

- To pre-empt any competition from Israel & Cyprus or a security threat from a possible closure of the Strait of Hormuz, Qatar has proposed building a gas pipeline connecting its gas fields to Turkey so as to supply Europe through a Turkish hook-up with the proposed Nabucco pipeline which has since become defunct.
Regional Conflict?

While the gas discoveries in the east Mediterranean don’t pose any threat to oil supplies from the Arab Gulf, they could give rise to potential regional conflicts.

One such conflict is between Lebanon and Israel over the demarcation of their maritime boundaries. Another is between the Greek Cypriots and the Turkish Cypriots over the sharing of the natural gas riches.

The dispute between Lebanon and Israel is mostly a demarcation issue. Lebanon says that up to one-third of the Israeli Leviathan gas field could be inside its maritime borders. If that is the case, the two countries will eventually have to agree on a demarcation line by negotiation (see Figure 4).
Figure 4
East Mediterranean Exclusive Economic Zone (EEZ)
Regional Conflict?
(continued)

• However, these potential conflicts are largely containable, owing either to an asymmetry of military power between Israel and Lebanon or to membership of NATO or the European Union, which should encourage negotiations rather than confrontation.

• In the final analysis, the huge gas riches could either exacerbate an already very tense and dangerous situation in the area or could lead to a reduction of tension and mutual benefits to all.
The Real Threat to Gulf Oil Supplies

- With proven oil reserves of 645 bb, or 39%, of the world’s proven reserves and a combined GDP exceeding $1.6 trillion at current prices, the Arab Gulf countries could be a formidable economic bloc. However, their achilles heel is their continued dependence on the oil export revenues to the tune of 85%-90%. This makes them vulnerable to any decline in the price of oil.

- However, the greatest threat to oil supplies from the Gulf actually comes from the steep-rising domestic oil consumption for power generation and water desalination and a lack of diversification. A precursor of this consumption is the subsidies which in 2011 amounted to $523 billion, due mainly to increases in the Middle East and North Africa in the aftermath of the Arab Spring.

- This means that they will have to cut their domestic oil consumption drastically or replace oil by nuclear power and solar energy. Failing to do either would result in their relegation to minor crude oil exporters by 2030 or ceasing to remain oil exporters altogether by 2032 (see Table 8).
Table 8
Combined Current & Projected Production, Consumption & Export of Crude Oil Exports in the Arabian Gulf Countries, 2010-2035 (mbd)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
<th>Net Exports / Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>16.65</td>
<td>4.59</td>
<td>12.06</td>
</tr>
<tr>
<td>2011</td>
<td>18.70</td>
<td>4.77</td>
<td>13.93</td>
</tr>
<tr>
<td>2012</td>
<td>18.92</td>
<td>5.35</td>
<td>13.57</td>
</tr>
<tr>
<td>2013</td>
<td>19.07</td>
<td>5.99</td>
<td>13.08</td>
</tr>
<tr>
<td>2020</td>
<td>20.90</td>
<td>9.64</td>
<td>11.26</td>
</tr>
<tr>
<td>2025</td>
<td>19.83</td>
<td>13.19</td>
<td>6.64</td>
</tr>
<tr>
<td>2030</td>
<td>18.55</td>
<td>17.06</td>
<td>1.49</td>
</tr>
<tr>
<td>2031</td>
<td>18.44</td>
<td>17.91</td>
<td>0.53</td>
</tr>
<tr>
<td>2032</td>
<td>18.33</td>
<td>18.81</td>
<td>-0.48</td>
</tr>
<tr>
<td>2035</td>
<td>17.79</td>
<td>21.78</td>
<td>-3.99</td>
</tr>
</tbody>
</table>

Diversification

- Another major challenge is the acceleration of a shift to alternative sources of energy resulting in the loss of the bulk of their oil revenues and possibly the collapse of their economies. To forestall such an eventuality, the Gulf countries not only have to accelerate the diversification of their sources of income but also become smarter in their investment.

- The diversification I am talking about is not industrialization because the Gulf countries could never be able to compete with the top industrial nations in the world. Nor does it mean investing in hotels, casinos and real estate. It means investing in food production projects in the Sudan for instance and also in thriving and futuristic industries around the world.

- The world is already heading towards a future food shortage on a global scale. Food prices could in the future rival, if not, exceed those of crude oil. Why not then invest in the Sudan which has the land and the water resources not only to become the food basket of the Gulf countries but also a great source of food export revenues for them.
Another form of diversification is intensive investment in renewable energy, particularly solar power, nuclear energy and water desalination technology.

Solar power along with nuclear energy could provide all the electricity needs of the Gulf countries and could also power an extensive network of water desalination plants along the Gulf countries’ coasts extending from the Arabian Gulf to the Arabian Sea and the Red Sea, not only for drinking but also for irrigation. Moreover solar electricity could in the future be exported to Europe earning a very sizeable income for the Gulf countries.

Finally, the gulf countries could invest a certain percentage of their portfolios in targeted and successful industries such as information technology (IT) and communications, aerospace, car-manufacturing and electronic companies to name but a few.
Conclusions

- Iran’s nuclear programme poses a direct threat to the flow of oil supplies from the Arab Gulf region because of the inherent risk of war in the Gulf and the possible mining or blocking of the Strait of Hormuz. However, its adverse impact would be short-lived.

- US shale oil production would hardly make a dent in the global oil supplies and would virtually have no effect on the flow of oil from the Gulf.

- Natural gas discoveries in the east Mediterranean would have no effect whatsoever on oil supplies from the Gulf though they could lead to conflict with Lebanon over the demarcation of the maritime borders between the two countries.

- The real threat to oil supplies from the Gulf region in the long term actually comes from the steeply-rising domestic oil consumption among the oil-producing countries of the Gulf and a lack of meaningful diversification of their economies.
Thank you for attention
Oil Market Consultancy Service
UK
&
The World Bank
Washington DC