

Saudi Arabia – Attack On A Global Oversupply Of Energy

By Henrik Paulitz¹

The attacks on the Saudi Arabian oil industry are a classic lesson in terms of terrorism and war: As always, great weight is given to the question, who was responsible for the attacks, and against whom war must now be waged. The underlying questions are always the same: „Who is to blame?“ - „Who is evil?“ - „Who is to be punished?“ If you aim to preserve peace, however, it is much more important to attend the questions „What has happened, and why?“

Preparing wars

Hardly ever, despite of our age of information, the public was in any way provided with crushing evidence to answer the question who had carried out an attack, and in particular, who ultimately was responsible for it. There are always only speculations and

claims. In this way we rarely come closer to the truth.

Who is to blame? That is the question which fosters polarization and destabilization of societies and even of the whole world because always two opposing camps will endlessly argue about it (“Divide et impera”). This question is a by far underestimated, in its effect, however, one of the most brutal instruments of ideological power which leads the world again and again into the abyss of military escalation.

Maintaining Peace

As the actual case of the attacks on the world-economically important Saudi Arabian oil production² shows, there is immediately,

¹ Translated by Dr. Winfrid Eisenberg.

² Attack of 14 September 2019 on the oil processing plant of Abqaiq and the large Churais oil field in Saudi Arabia with drones and cruise missiles.

in the context of this question of guilt, intensive discussion about another question: Who must now wage war against whom?

Conversely, this means: Who is really interested in maintaining peace should at first suspend the question who might have been responsible and should eventually be penalized.

What happens at war?

Based on my books „Anleitung gegen den Krieg“ (Instruction against war) and „Kriegsmacht Deutschland?“ (Military Power Germany?) in my lectures I usually recommend to focus on quite another question: „What happens at war?“³

Experience has shown that this question can be answered comparatively reliable without sliding into speculation or ideology.

Let us look at the actual case: What has happened? The answer: There was an attack on the Saudi Arabian oil and energy infrastructure, respectively.

Attacks on the energy infrastructure

This is not really unexpected. Attacks on the civilian (!) energy infrastructure are carried out very often at wars.

In other words: It is an essential target of war.

Furthermore, the energy infrastructure is frequently a target of terrorist attacks. Again and again attacks on pipelines are carried out, for example in Saudi Arabia in May, 2019.⁴

³ It is based on the methodology of the "[descriptive, economically oriented peace and conflict research](#)" developed by the Academy Bergstrasse.

Across the world, the energy infrastructure is one of the most common targets of terror attacks and at war: Oil and gas fields, oil and gas pipelines, refineries, fuel depots, oil terminals, oil tankers, coal mines, power plants, transformer stations, and power lines.

Recession of oil production

World wide attacks on the energy infrastructure usually lead to slumps of oil production. The analyses of the US Energy Information Administration (EIA) show how, for example, the wars on Iraq or the air raids on Libya in 2011 depleted the production and the export of oil and gas, respectively.⁵

The current events in Saudi Arabia are remarkable in as much a single attack withdrew more than 5 % of the world oil production from the market.

Gaining of knowledge by the simple question „What happens?“ is great. This imposes a further question, why these attacks on the energy infrastructure are carried out?

Structural oversupply of crude oil

Current reports about the attack in Saudi Arabia provide valuable information concerning its influence on the world oil market. An essential starting point to answer the why-question is a reference by Klaus-Jürgen Gern of the Kiel Institute for the Global Economy

⁴ Deutsche Welle: Naher Osten. Anschlag auf Öl-Pipeline in Saudi-Arabien. 14.05.2019.

⁵ <https://www.eia.gov/>

who said in an interview: „For many years there is a structural oversupply of crude oil.“⁶

Thus, military attacks on oilfields, pipelines or refineries reduce the supply on a saturated market. A considerable growth of the global oil market cannot be achieved any more; therefore, many measures aim to limit the worldwide oil production. If the structural oversupply is not cut back, prices will drop and profits will shrink.

If, on the contrary, the oil production is drastically reduced, prices and earnings will considerably increase.

Artificial shortage

Against this background, 1960 the Organization of Petroleum Exporting Countries (OPEC) was founded. This oil cartel limits the oil production of its members. Meanwhile several non-members also cooperate with OPEC.

By means of artificial shortage the price of oil is stabilised or even driven up.⁷

Military attacks on the oil production can be considered as a means to create artificial shortage of oil with potential effects on the price. Indeed, after the actual attacks on the Saudi Arabian oil production, an increase of the price of oil was observed.⁸

War and Profit

At the 2011 war in Libya it became apparent that attacks on the oil production can be very

profitable. Due to the war, in February 2011 the Libyan oil production came to a complete standstill. Thereby the price of oil rose to more than 125 US-dollars per barrel. 2011 became the most expensive oil year of all time; on average, in that year the oil was more expensive than ever before.

Since the Libyan oil is usually produced at only one US-dollar per barrel, it bestows, already for some decades, extreme profits on the multinational oil companies at prices of 20 to 60 US-dollars per barrel.

The price of more than 125 dollars in 2011 (see above) produced additional increases of the profits of the large oil corporations in spite of declining production.

„War damage and sabotage finished the Libyan oil industry“, the „Badische Zeitung“ said in June 2011, and described the profit of the large oil corporations: „The international oil corporations don't suffer from the production losses because the shortage has caused an increase of the price on the world market which puts more cash in the till. Thus, although the output of the French oil giant Total decreased in the first quarter of that year because of the war, the profit increased at the same time due to higher prices.“⁹

Conclusion

If you want to avoid that the current events in the Middle East develop into a conflagra-

⁶ Spiegel Online: Zerstörte Anlagen in Saudi-Arabien. Was der Ölpreis-Schock für die Weltwirtschaft bedeutet. 17.09.2019.

⁷ Conversely, by increasing oil production, the oil price can also be significantly reduced.

⁸ Zeit Online: Saudi-Arabien - Ölpreis steigt nach Drohnenangriffen. 16. September 2011.

⁹ Badische Zeitung: Libyens Ölindustrie ruht. 4. Juni 2011.

tion, these military and economic relationships should be included in the analyses and considerations.

To avoid a new war over oil profits, the preparation of a „world oil and peace conference“ should be considered where the market

structures and profit expectations could be openly discussed and solutions be negotiated to meet the interests of influential players in order not to lay everything in ashes and ruin.