



NOPEC Bill Would Mean The End Of Aramco And OPEC As We Know Them

Description

Saudi Arabia stopped being an ally of Washington the moment it began the 2014-2016 Oil Price War with the specific intention of destroying the then-nascent U.S. shale oil industry, as highlighted in all three of my books since 2015 on the global oil sector. Riyadh's alignment with Russia definitively started during that War and was irrevocably strengthened when Moscow agreed to support then-beleaguered Saudi Arabia and OPEC in their first post-Oil Price War production announcement at the end of 2016, forming 'OPEC+' ('plus' Russia) in the process. And Saudi Arabia's move towards the autocracies of the East, with which its own autocracy is naturally aligned, was definitively concluded with China when Beijing allowed Saudi Crown Prince Mohammed bin Salman (MbS) to save face, and probably his eventual succession to the kingship as well, by offering to privately buy in 2017 all five percent of his disastrously conceived initial public offering of Saudi Aramco. Last week's Saudi-led shock two million barrels per day (bpd) collective crude oil production cuts shows that MbS personally has nothing but contempt for the U.S., so it is little wonder that key figures in the West Wing of the White House are taking it so personally.

In the post-2014/16 Oil Price War world, the White House, then of former President Donald Trump, found two methods particularly effective in reminding the Saudis that China and Russia had not taken yet collectively taken over the mantle of top superpower from the U.S. The first of these was the threat of the complete removal of all U.S. military assets that had protected Saudi Arabia since the core 1945 agreement struck between then-U.S. President, Franklin D. Roosevelt, and the Saudi King at the time, Abdulaziz, on board the U.S. Navy cruiser Quincy in the Suez Canal. This core agreement ran as follows: the U.S. would receive all the oil supplies it needed for as long as Saudi had oil in place, in return for which the U.S. would guarantee the security of Saudi Arabia. By the end of the 2014/2016 Oil Price War, the agreement had been changed slightly to: the U.S. will safeguard the security both of Saudi Arabia for as long as Saudi guarantees that the U.S. will receive all the oil supplies it needs for as long as Saudi has oil in place, *and that Saudi Arabia does not attempt to interfere with the growth and prosperity of the U.S. shale oil sector or the U.S. economy as a whole.*

Whatever else might or might not be said about former President Trump, he knew a deal was a deal, and the first thing he did when it was evident just after the 2014/2016 Oil Price War that the new-found OPEC+ was intent on driving up oil prices to levels that were damaging to the U.S. economy and to

Trump's own re-election chances, was to send a message to King Salman of Saudi Arabia, effectively that is the King was going to undermine the deal then the U.S. would not honour its side of the bargain either. At a rally in Southaven, Mississippi, in October 2018, Trump laid it out: "And I love the king, King Salman, but I said, 'King, we're protecting you. You might not be there for two weeks without us. You have to pay for your military, you have to pay'." This came shortly after a similar comment from Trump in a speech before the United Nations General Assembly: "OPEC and OPEC nations are, as usual, ripping off the rest of the world, and I don't like it. Nobody should like it," he said. "We defend many of these nations for nothing, and then they take advantage of us by giving us high oil prices. Not good. We want them to stop raising prices. We want them to start lowering prices and they must contribute substantially to military protection from now on." This threat of removal of all U.S. military support for Saudi Arabia was made by Trump once more, this time when OPEC+ was looking to push down oil prices to dangerous levels for the U.S. shale oil sector by launching the 2020 Oil Price War, when he personally telephoned MbS on 2 April and specifically told MbS that unless OPEC+ started cutting oil production immediately then he would be powerless to stop lawmakers from passing legislation to withdraw U.S. troops from Saudi Arabia. In addition, it was made very clear by Trump that from that point onwards he expected that the next time the Saudis tried to destroy the U.S. shale sector it would be the end of the 1945 Agreement, with no further warning, and that U.S. military would be withdrawn straight away. MbS certainly deigned to take that telephone call, it should be noted. By using this threat of withdrawing all the U.S.'s military support for Saudi Arabia, former President Trump was able to establish the 'Trump Oil Price Range' of US\$40-75 per barrel of Brent for the vast majority of the time he was in office.

The second highly effective method that Trump's West Wing was able to use to stop Saudi Arabia from damaging the economic and political interests of the U.S. and its allies, was to threaten implementation of the 'No Oil Producing or Exporting Cartels' (NOPEC) bill. This 'Damoclean Sword' of legislation has a broad mandate, making it illegal to artificially cap oil (and gas) production or to set prices. Clearly, fixing oil pricing is the very reason why OPEC was established in 1960, and it is part of its written mandate. Saudi Arabia has been OPEC's *de facto* leader from its creation that year, and Saudi Aramco is the prime vehicle through which Saudi Arabia's production and pricing strategies (and those of OPEC) are implemented. Nobody from the Saudi side when the Aramco IPO was first announced seemed to have understood that there was a major legal issue in this context from both the U.S. and U.K. perspective – given stringent and rigorously enforced anti-trust (or anti-monopoly) regulations on both sides – and this was one of the key reasons why no serious investor in these countries wanted to invest in it. With Aramco being the key instrument used to manage the oil market by the Saudis, even though it is not directly involved in making the policy, the anti-trust legislation of the U.S. and U.K. can point to Aramco as being collusive in price-fixing through adjusting output to manage oil prices.

If and when the Bill is enacted, then Saudi Aramco would either have to be broken up into much smaller constituent companies that are not capable of influencing the oil price, thus reducing the company's net worth to zero overnight, or face the full force of the U.S.'s antitrust laws, and similar laws from all of the U.S.'s allies. In effect, Saudi Aramco's products and services would face exactly the same net effect as Russian oil and gas companies are facing now. To wit: all U.S. dollar trading in all Aramco products and services would be liable for immediate suspension pending review of anti-trust regulations in the U.S. and all its allies, after which all such U.S. dollar-centric activities could be banned. In addition to all of this, the NOPEC Bill immediately removes all sovereign immunity that presently exists in U.S. courts for OPEC as a group and for its individual member states – including, Saudi Arabia. According to legal sources in Washington familiar with the legislation and spoken to by *OilPrice.com*

last week, this would open up Saudi's US\$1 trillion or so of assets in the U.S. to be seized in lawsuits relating to a range of allegations, including Riyadh's role in the '9/11' terrorist attacks on the U.S.

Following the Saudi-led OPEC cut in oil production last week, White House National Security Advisor, Jake Sullivan, and National Economic Council Director, Brian Deese, stated that the administration of President Joe Biden would consult with Congress on potential measures that would strike at OPEC's control over oil prices, and this would include a resuscitation of the (NOPEC) bill. The NOPEC bill already passed the Senate Judiciary Committee in May, having passed a House committee last year. Senate Majority Leader, and Democrat, Chuck Schumer stated just after the latest crude oil production cut announcement that: "We are looking at all the legislative tools to best deal with this appalling and deeply cynical action, including the NOPEC bill." Following this – and indicating cross-party support for a new aggressive approach to Saudi Arabia – Republican Senator Chuck Grassley, an original sponsor of the NOPEC bill, said that he will attach the measure as an amendment to the forthcoming National Defense Authorization Act.

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