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Shale Oil Reflections to Gulf Security

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Introduction:

All nations have different sources of revenue to develop and create a stable environment and society for its citizens. The environment, society, economy, and politics stability is the path to insure the nation or the state security. However, the gulf is basically depending on the crude oil as a main resource to the national income, any reduction or impact on this resource may reflect negatively on the GCC countries. For example, the rising of the shale oil cause a huge effect on the oil prices considering the enormous surplus of the oil quantity presented on the oil market.

The simple economy says whenever there is a surplus in the supply; the prices will go down. The reduction of oil prices affect many countries, gulf countries is highly influenced by this changes which influencing the development plans and the infrastructure building strategies, which create economical and social instability where this leads to state security issue. This kind of effects is creating an overload on the state where the reduction of oil prices is forcing the country to do austerity measures and imposing fees on some services and stop the government support, additional to increasing the goods prices. All of these effects are likely to come with strong impact on the security of the state and its authorities.

I- Historical Background:

World nations were always depending on the oil industry to develop all other industries. Oil is an essential material in other field of production starting with generating the power to start the equipment operation moving to transporting the goods and building the economy. The economy is always connected to politics and the state security in many ways.

Shale oil has a way old history. Starting to explain and identify this revolutionary material, shale oil can be described as a type of rocks which has a high amount of organic materials which is sedimentary and it contain a material called Kerogen. As a process to extract the oil, the shale must be heated and by heating it, the Kerogen is being separated from the rock. Extracting the kerogen produce a liquid which is transformed to diesel, high quality plains fuel, kerosene, and other type of oil products.

Moving to the shale oil history, on the early years the shale oil was used in a primitive way where it was burned without any processing, oil shale was used as a source of fuel since the old times to heating and so on. Actually, there is a written evidence of a trial to extract the shale oil from the rocks in the 10th century. In fact, some scientists

Interview with Mr. Fisal Al Hajri, Muscat, April 17, 2016. 1

were using some type of oil which has been extracted from the shale rocks in the medicinal purposes in Austria. So that is indication the old discovery of the shale oil.

Other side the new industries of shale oil. The American manufactured oil program started the operations 2003, continuing with a commercial leasing campaign in 2005 by a supervision of the past president George Bush. This movement encouraged the industry of extracting shale oil in intention of renewing the energy resources. Moreover, the belief of the end of crude oil availability is creating a fear with all countries of the conflicts that could happen and the environmental instability in the society. In time of developing the new revelation, there were a multiple ventures that have an interest on the American shale oil production. On the other hand, Canada and Australia have started to process the extraction of shale oil techniques by multiple projects, and there was also Jordan and Morocco which announced the intention of entering this type of programs.

Considering the high cost of the development of shale oil and the extraction of it, most of them stopped their programs. Actually, the United States was importing a high quantity of oil in 2008 because its own production was down. In fact, that was a good period for the gulf countries where the oil industry was in a great position when the oil prices have reached to $146 per barrel. In the same time, the revelation of shale oil was starting to pick up and increase in the US, by finding and using new technologies which is horizontal drilling and hydraulic fracturing. The influence of the new techniques was measured through the increasing growing in production of shale oil which developed to be the half of the total oil production in the United States. This revelation boosted America ahead to be above Russia in producing oil products to be the number one oil producer.

Later around 2010, the shale oil new extracting technologies was seriously developed and applied and the results were enormous. Following in the final stage of 2014, United States oil production increased to be 80 percent higher than it was back in 2008. This huge increase in production results in a high quantity of oil in the market, which reduced the oil prices that causes a big loss to the gulf countries were they were enforced to do some action which may cause some conflicts in the state and make the security unstable.

II-The Current Situation:

The Middle East countries are considered as one of the most affected parties by the American new oil revelation and their situation. However, Middle East countries and especially Saudi Arabia and other oil producer will continue to be a crucial factor and players in the international oil and energy market, but their strength in the industry for more than a century, would not be the central factor in the market anymore because of the incredible implementation of the new techniques. As there is a surplus in the
supply of oil and gas by the several of sources, all the prices of oil products are facing a decreasing future. The exporting revenue of oil is downwards for the Middle East producers, lots of adjustment and lows that was unnecessary is needed and become necessary to get through this dilemma. Governments are forced to obtain fiscal changes to be able to face the situation. Foreign policies are changing and it’s triggered by the many changes of the situation. Changing the foreign policy can trigger a change in the United States policy. In fact, the change may affect the priority and relationships between countries, which can create some conflicts in the effects countries. The new policies and rules are creating a total new situation in the gulf countries which they are not used to it. Facing a new situation can shake the stability of the system and the state security.

It is Important to mention the consequence of lifting the sanctions of Iran which will launch a great development and expansion of its oil industry. According to Yenigun "Iran is intending to sell its oil in lower prices of the other markets, which will add more pressure on the total oil industry”. This action will increase the results of producing the shale oil.

The United States is becoming independent in its energy instead of importing it from the Middle East; this is allowing her to replay the role of providing the military protection that ensures the safety of passage which gives the Middle East countries the ability to reach the global markets. From other angel, the situation may change because of the current prices of oil. The oil prices now is below $45 per barrel, this price is too low for a great deal for the revolutionary shale oil considering the cost of production, that makes no sense in the production process. Even though, the outcome is continuing to increase by 500,000 barrels each day.

Regardless the shale oil revolution and its effects on the gulf states economy and security. Gulf producers will remain important to the global oil market supply because they have the control of almost one third of the international oil storage. More than that, they have the control of a highly important passes, such as, Hormuz because 85 percent of oil is shipped from Hormuz to the Asian market.

The Gulf countries and the change in the international oil market is looking to further involvement in the future, the assessment of the shale oil effects on the GCC states is hard in the meantime, along with the global price development, because of some factors which plays a role in the situation. For example, possible increase or expansion of the petroleum industry experts, a potential growth in UN gas and oil production, and the demand pattern in allowing different sectors and regions.

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Gas and oil in the Middle East:

III- Future Expectation/ Solution Alternative:

The growth in GCC states suggest and says there will be an increase in the demand of energy in the region in the coming years, and the meanwhile situation will change to become better and it will be improved and the Gulf regions is devoted to get and meet the demand of oil production. In the meantime, the GCC countries need to process in other fields to maintain the situation and limit the effects of the revolutionary shale oil. However, the Gulf States should turn to develop the alternative sources of energy, actually the nuclear power was issued between the GCC countries as an alternative in getting the power, but the implementation was refused looking to the negative effects of having nuclear processing facilities within the gulf area. Furthermore, the real investment plans must be in the other renewable energy sources. For example, solar power where it can be very beneficial regarding our clear whether, but still they must compares the benefit with the cost. Other type of renewable power resource is the wind and hydrogen power which both works in the same concept and that is the dynamic movement. By working with such type of power resources, the Gulf States will not be affected by the current situation as it is right now and it will avoid any security issues.

The risk of facing similar actions like the Arab Spring. Shale revaluation has the

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ability to create a negative effect on the stability of the gulf countries, the reduction in the oil prices create a great loud on the back of GCC government where they must formulate a total new strategy to reduce the effects. For example, one of the major effects of the oil issue is releasing employees and the increase in the unemployment percentage, these results create massive reactions from the people where they could start to protest and this kind of actions is intimidating the country security and form the conflict between the government and the people. In fact, this situation did happened in Oman recently where some of oil production corporations were forced to release many employees reached to almost 1000 employees only from the oil industry. The releases of this much of employees without any alert ahead did established an issue between the employees and the higher management in the field where there was an intervention from the government to make settlements. In this case, the public and the private sector should cooperate with each other to create other solutions other than releasing the employees and working in the negotiations techniques.

The Gulf countries have many threats from other neighbors countries how is trying to get a benefit from their wealth, and the GCC states are depending strongly on the UN to defend them against the other strong neighbors. In fact, the United States was providing and insuring security to Saudi Arabia for a long time since 1970s. However, Kuwait is still paying amount of money every year to America until 2024 because they helped them when Iraq invaded them. Furthermore, the United States is working to insure the safety of the gulf because they are the resources of the energy. Now when they have the shale oil technologies and the energy, they will no more need to protect the gulf countries. In this case, the Gulf States should be on one side and build strong relationships and alliances with the other countries like China and Russia to insure the power that they need to protect themselves from any threats.

**Conclusion:**
The shale revelation is a main and effective contributor in increasing the supply of oil in the global market. America is the main player in the shale oil revelation and it is in the path of self sufficiency and independent in producing the energy. The emergence of shale oil caused and effect many regions; gulf region is one of the most effected region of the surplus in shale oil supply and the reduction of the oil and gas prices in the global market. As a consequence of such serious of actions, the Gulf States is heading to concentrate on developing the oil products and dealing with the Asian growing market. Moreover, the GCC oil industry will still be valuable for Europe and Germany as the head of the national oil market. However, in the meantime the gulf countries are struggling to avoid the consequences of the situation and the oil prices

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issue, which related to the state security stability. It is a dilemma for the government
to please all people and parties because it has many limitations. It is important to the
GCC countries to establish an alternative or a backup plans for such situations to keep
the stability of all the state matters like the environment, economy, society, politics,
and the security of the state.

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