

# Oil Market Report: Nove 2022

Dedicated readers of this report will know that we like to cover international sporting events and relate them to the energy picture of the hosting country. Over the years we've looked at Brazil twice (2014 World Cup / 2016 Olympics), Russia twice (2012 Winter Olympics / 2018 World Cup), London (2012 Olympics), South Korea (2018 Winter Olympics) and Japan / Tokyo ("2020" Olympics). This month we will continue the theme with a report on Qatar – a country that simultaneously finds itself at the epicentre of the current global energy crisis, whilst also hosting the controversial winter World Cup. This is an event made possible by lavish bribery of FIFA officials and then further facilitated by the deaths of hundreds (possibly thousands) of migrant workers. As a result, many football fans have found it difficult to get passionate about the competition, although that doesn't change the fact that when it comes to the Energy World Cup, Qatar goes well beyond the group stages...

Like most of its Middle Eastern neighbours, Qatar's oil & gas industry is operated and controlled by a state owned entity – in this case, QatarEnergy. As of 2022, QatarEnergy was the 5<sup>th</sup> largest oil and gas company in the world with revenues of circa \$25bn and the 3<sup>rd</sup> largest gas reserves in the world at 25 trillion (yep!) cubic metres. This places Qatar behind Iran (34 trillion m<sup>3</sup>) and Russia (48 trillion m<sup>3</sup>) in the gas hit-parade, although do remember that Russia has a population of 140m and Iran, 85m. By comparison, the tiny peninsular of Qatar has a population just shy of 3m and a land mass that makes it smaller than Northern Ireland! No wonder that whilst oil dominates the agenda in most Middle Eastern countries, in Qatar, gas is King.

In the 1970's the Kingdom of Qatar discovered huge offshore reserves of gas in one single gargantuan field in the Persian Gulf. Straddling the maritime border of Iran, this new gas discovery was named the "North Dome Field" and remains to this day the single largest "stand-alone" gas field on the planet. Production levels are 77m tonnes a year and even at current run rates, the North Dome still has an incredible 130 years of reserves under the ground.

Such huge gas capacity compares starkly against the kingdom's oil activity. Despite joining OPEC in 1961 as its 6<sup>th</sup> Member (after Saudi, Kuwait, Iran, Iraq and Venezuela), Qatar only actually produces 600,000 barrels per day of oil, which means it produces less than 2% of total OPEC production. Furthermore, OPEC policy has often put members out of favour with the USA and this is something that Qatar has always sought to avoid. Then in 2019, a diplomatic row broke out between Saudi and Qatar (dubbed the "New Arab Cold War"), ostensibly around regional influence, but also touching on diplomatic relationships with Iran, democratic freedoms and of course energy hegemony.

With little "skin in the game" when it came to oil, the diplomatic row was the cue for Qatar to smite Saudi Arabia and resign its OPEC membership, declaring it was no longer in its strategic interest to remain a member. In doing so, Qatar became the first ever Arab and Middle Eastern country to stand down from OPEC and the clear message was that the country was now an independent energy player, beyond the influence of Saudi Arabia. The further subtext was that Qatar had its eyes firmly focussed on gas. After all, why be a minnow in a sector facing long-term decline (oil), when you can be gas super-power, looking ahead to significant growth potential?

Qatar's wealth does not simply hinge on bounteous gas volumes. What also differentiates Qatari gas from its neighbours is its access to global markets. When the North Dome field was discovered in 1971, there were initial efforts to connect the field to other Middle Eastern countries. This was done in due course via the Dolphin Pipeline (which carries Qatari gas to the UAE and Oman), but realising that these markets would always be limited in size, Qatar's masterstroke was to develop their capacity to liquify gas and load it onto ocean going tankers. Over time, QatarGas has developed into the planet's largest LNG (Liquefied Natural Gas) company, producing almost 80m tonnes annually and transporting it globally via the largest (69 vessels) LNG maritime fleet in the world. This gives it approximately 30% of the total global trade in LNG and makes the kingdom the world's biggest LNG exporter. Such capacity has meant that Europe has been spared a cold and powerless winter in 2022-23 and is also of particular interest to the UK, where even before the Ukraine crisis, 90% of our LNG imports were coming from Qatar. This equated to over a quarter of Britain's total gas supply.

With gas prices at record levels for most of 2022, the hosting of this year's world cup is a matter of small change for this Arabian peninsular. And the reality is that for all the FIFA backhanders and shocking local HSE standards, in a world of true bad guys, Qatar's failings hardly puts them in the Premiership. As long as we need gas, muted outrage will be as far as any criticism goes. Not that Qatar will care too much either way. When the World Cup is over, they will go back to the day job of increasing their energy supply to the world. 2023 will see a further \$30bn invested in the North Dome, which will increase production to 110m tonnes per annum and by 2030, the field is expected to be producing 130m tonnes. Only another 100 or so years of reserves to go after that...