Committee: European Council

Topic B: Endorsing the Independence of the Oil Companies in the Middle East

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Introduction

The European Council defines the EU's overall political direction and priorities. It is not one of the EU's legislating institutions, so does not negotiate or adopt EU laws. Instead it sets the EU's policy agenda, traditionally by adopting 'conclusions' during European Council meetings which identify issues of concern and actions to take. The European Council plays an important role in certain appointment procedures for high profile EU level roles. In particular, it is responsible for:

electing the President of the European Council, proposing the President of the European Commission, appointing the High Representative of the Union for Foreign Affairs and Security Policy, officially appointing the entire body of Commissioners, and appointing the Executive Board of the European Central Bank (ECB), including the ECB president.

Topic background

The Middle East was a region first unlocked in the early 1900s by the world's largest oil companies which would eventually become BP, Shell, Chevron and ExxonMobil. The discoveries made by these companies unlocked the Middle East as the most prolific hydrocarbon region in the world. The trend of independent oil companies (IOC) market domination has mostly continued through the past decade. Iraq's first licensing round, including its super-giant fields in 2009, was led by ExxonMobil, BP, Shell and Eni. Up until the sanctions, Total and Statoil were leaders in Iran. Qatar's gas is firmly in the hands of ExxonMobil. In Egypt, its major producers continue to be BP, Shell and Apache.

The mid-2000s saw a wave of independents flock into the region, seeking to capitalize on the potential to acquire sub-giant fields in these, notoriously IOC-dominated countries.

The most recent cycle took place in the Kurdistan Region of Iraq (KRI) around 2004, when Genel Energy and DNO moved into the region to acquire large discovered resources with low lifting costs. Only several years later were these efforts well rewarded with the discoveries of the Taq Taq and Tawke fields, two of the largest oilfields in the KRI.

The 70% drop in oil prices from their all-time highs in 2014 to the current lows of an average of $47 dollars per barrel is severely affecting all hydrocarbon producers, especially Saudi Arabia. The many overlapping reasons for the slump include an oil glut, lower demand, and the expansion of U.S. shale extraction. But none contribute more to the continued suppression of prices as the oil pricing on wars between neighboring countries of the Middle East. Countries such as Saudi Arabia, Iraq, Iran, Libya, and Kuwait, facing significant fiscal pressure to maintain their economic and social programs and ensure domestic stability, keep dragging final export prices down as they compete for the same market share and to retain clients.

Saudi Arabia is trying to stabilize oil markets and raise prices by meeting with Organization of the Petroleum Exporting Countries (OPEC) members and other non-OPEC producers, such as Russia, to cap production. But after several rounds of meetings, first in Doha in April 2016, then Vienna and Algiers in September, Istanbul and Moscow in October, and with another meeting planned in Vienna for November 30. Getting all producers on board seems nearly impossible. Meanwhile, as Saudi Arabia pushes for production cuts from distant countries such as Russia, Venezuela, Nigeria, and Mexico, it has been neglecting rapprochement with neighbors, particularly with sectarian rivals Iran and Iraq. It also lacks a clear marketing and cooperation strategy with its neighboring Gulf Cooperation Council (GCC) producers.

Conclusion

- Due to the fact that the Middle East is currently in conflict not many businesses can sell their goods to others and create a profit including the oil companies. Oil companies can't just move their extracting operations somewhere else since the oil reserves are located underground; like any oil reserve on the planet. They also can't just move the rest of their operations somewhere else with warfare going on in the background, since the transportation method of the oil could be on high risk of getting in between the middle of either a predictable or unpredictable conflict, even if they take a safe path to reach wherever the oil filtering would take place, in the case of building new filtering facilities in the Middle East.

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