

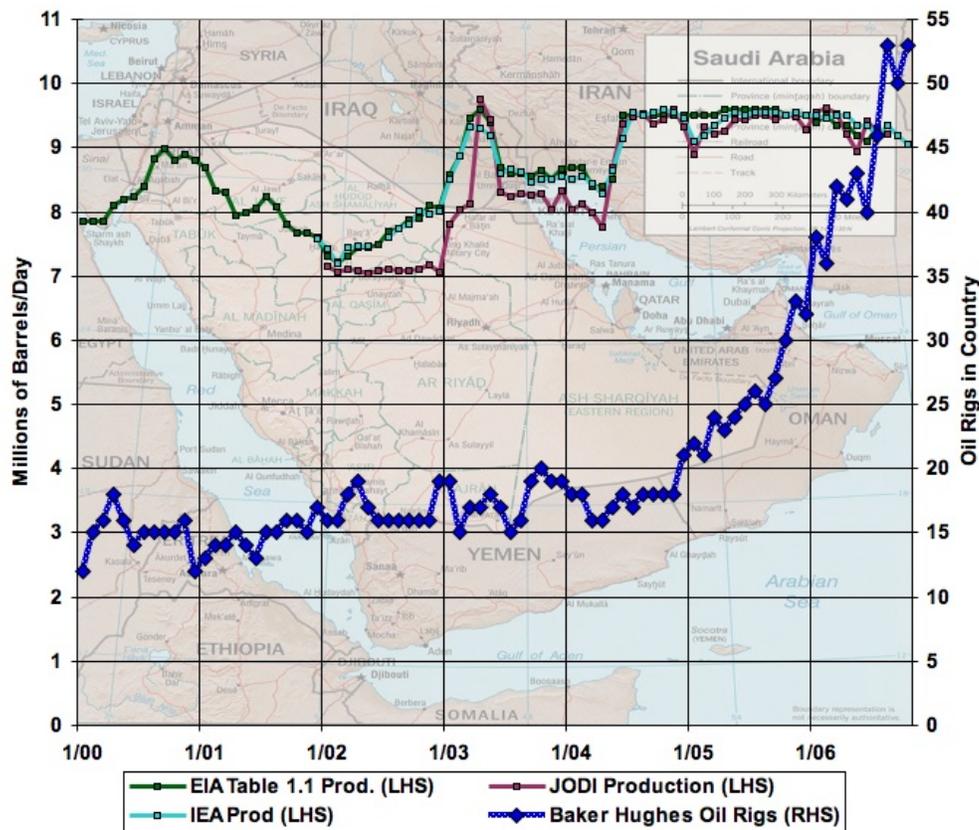


A Credible Threat?

Posted by [Stuart Staniford](#) on December 1, 2006 - 9:45am

Topic: [Supply/Production](#)

Tags: [iraq war](#), [peak oil](#), [saudi arabia](#) [[list all tags](#)]



Average Saudi daily oil production (left scale), by month, from EIA, JODI, and IEA, together with Baker Hughes oil rig count (right scale). Jan 2000-present. Click to enlarge. Sources: [IEA Oil Market Reports](#), [EIA International Petroleum Monthly Table 1.1a](#), [JODI](#), and [Baker Hughes](#).

So I was awoken from my peak-oil slumber by this fairly [extraordinary oped](#) in the Washington Post. It consists of a series of threats by Nawaf Obaid, a "an adviser to the Saudi government", who is expressing opinions that are "his own and do not reflect official Saudi policy", but nonetheless speaks in short clear declarative sentences about what the Saudi government will do if the US withdraws from Iraq.

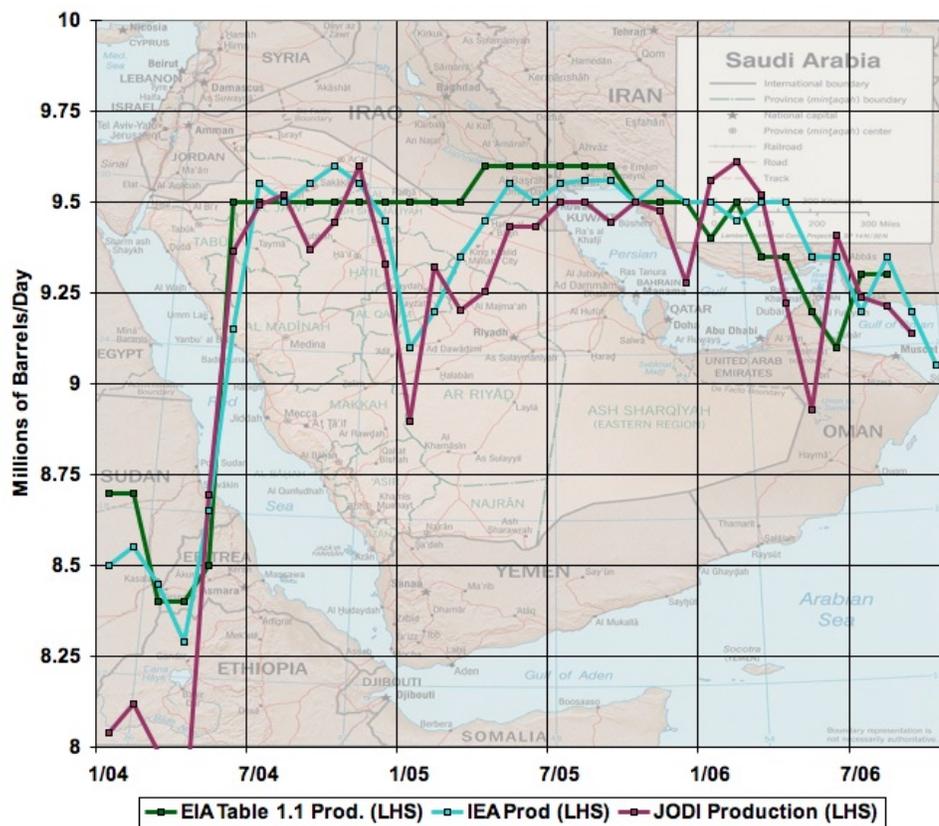
Some choice grafs:

Just a few months ago it was unthinkable that President Bush would prematurely withdraw a significant number of American troops from Iraq. But it seems possible

today, and therefore the Saudi leadership is preparing to substantially revise its Iraq policy. Options now include providing Sunni military leaders (primarily ex-Baathist members of the former Iraqi officer corps, who make up the backbone of the insurgency) with the same types of assistance -- funding, arms and logistical support -- that Iran has been giving to Shiite armed groups for years.

Another possibility includes the establishment of new Sunni brigades to combat the Iranian-backed militias. Finally, Abdullah may decide to strangle Iranian funding of the militias through oil policy. If Saudi Arabia boosted production and cut the price of oil in half, the kingdom could still finance its current spending. But it would be devastating to Iran, which is facing economic difficulties even with today's high prices. The result would be to limit Tehran's ability to continue funneling hundreds of millions each year to Shiite militias in Iraq and elsewhere.

So, is this last threat credible? Well, I updated my graph of Saudi oil production and rig count, added the IEA estimates to those of EIA and JODI. The result is above, and detail showing the production slide this year more clearly is below. How many rigs is Obaid proposing that the Saudis now rent, I wonder?



Average Saudi daily oil production, by month, from EIA, JODI, and IEA. Jan 2004-present. Graph is not zero scaled. Click to enlarge. Sources: [IEA Oil Market Reports](#), [EIA International Petroleum Monthly Table 1.1a](#), [JODI](#), and [Baker Hughes](#).

So then we are left to judge whether this threat is more or less credible than the last:

To be sure, Saudi engagement in Iraq carries great risks -- it could spark a regional war.

So be it: The consequences of inaction are far worse.

A shooting war between Saudi Arabia and Iran would certainly make for interesting times in the oil markets...

(FWIW, my guess is that the US won't withdraw from Iraq in an orderly way soon. The Bush administration doesn't want to, and it's in the best political interests of Democrats to make a public show of calling for withdrawal while privately making sure not to do anything that would force the administration to change it's politically disastrous course before the 2008 elections. So the whole mess will probably continue to snowball a while longer -- until something so bad happens to American troops that public revulsion for the war becomes uncontrollable.)



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