The Oil Drum
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Tech Talk - Thoughts on oil production from the MENA countries in turmoil

Posted by Heading Out on April 3, 2011 - 4:20am

The popular protests among the countries of the Middle East and North Africa (MENA) are continuing to roil, and so, rather than the review of the countries that I have been discussing in the posts of the last few Sundays, I thought I would just briefly review the status of the countries that are now in various stages of unrest, and include their relative production and exports of oil. I am not going to discuss the natural gas situation since, in relative terms, there is currently a significant excess of natural gas available to the world market. As a result, should the MENA production falter (providing it does not spread to countries such as Qatar), any default can be made up from elsewhere.

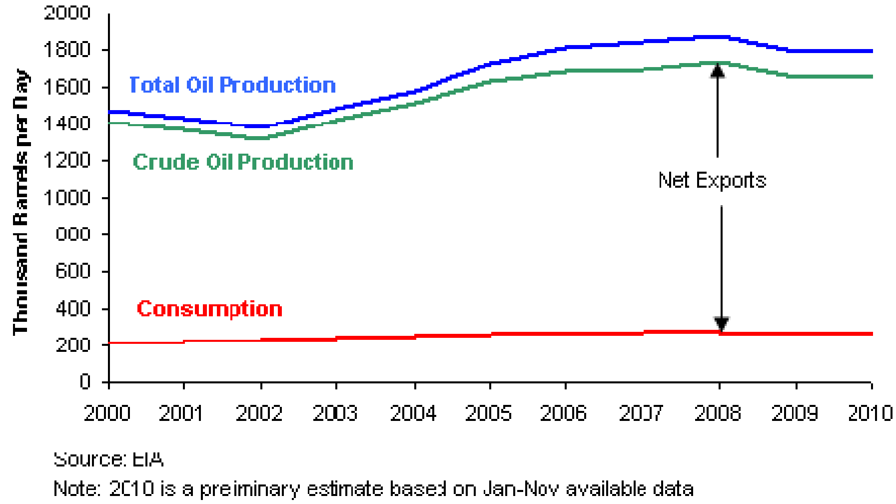
I am going to take a quick look at Libya, Yemen, Syria, Algeria, Morocco, Bahrain and Jordan, as countries that are looking less than stable. The list is my estimate of the order in which they will fall, or not, in the sequence shown (my unapologetic dominoes). I am not going to talk about Tunisia and Egypt since, optimistically, they are now in transition with little impact, in the short term, for their hydrocarbon statistics. (And Schlumberger would add Ivory Coast to the list.)

Let me start with Libya, since I was struck by a comment by a Guardian reporter on the current situation there.

> Everywhere, there are long queues at petrol stations, sometimes with hundreds of vehicles stretching down the road as they wait. At one queue, drivers were relieved when a tanker finally delivered a load of fuel, but then reacted with frustration when there was no electricity to operate the pumps.

If there is no fuel within the country, then the time it will take to bring the oil refining and distribution system back into operation will get longer as the crisis continues. And since domestic demand will be met before exports restart, the length of time that Libyan oil will be off the world market continues to grow.

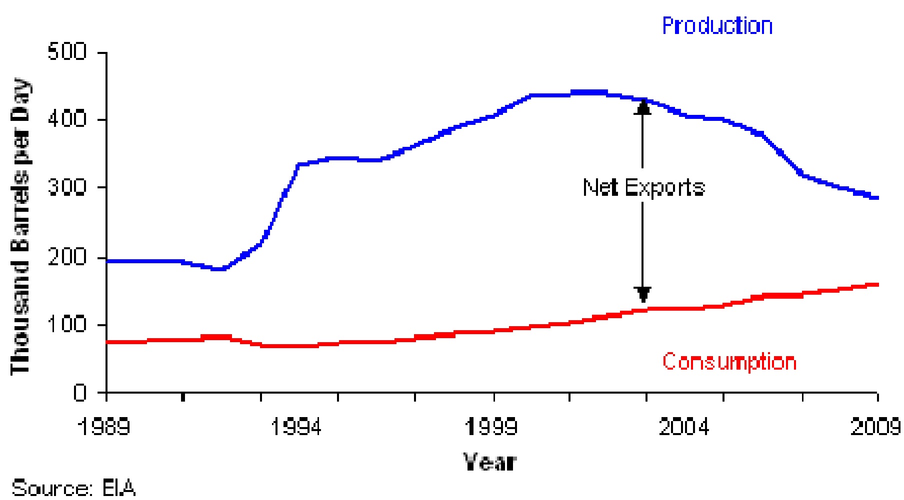
Just as a reminder of the balance between exports and domestic use, here is the EIA plot of that balance.



Libyan oil statistics (Source EIA)

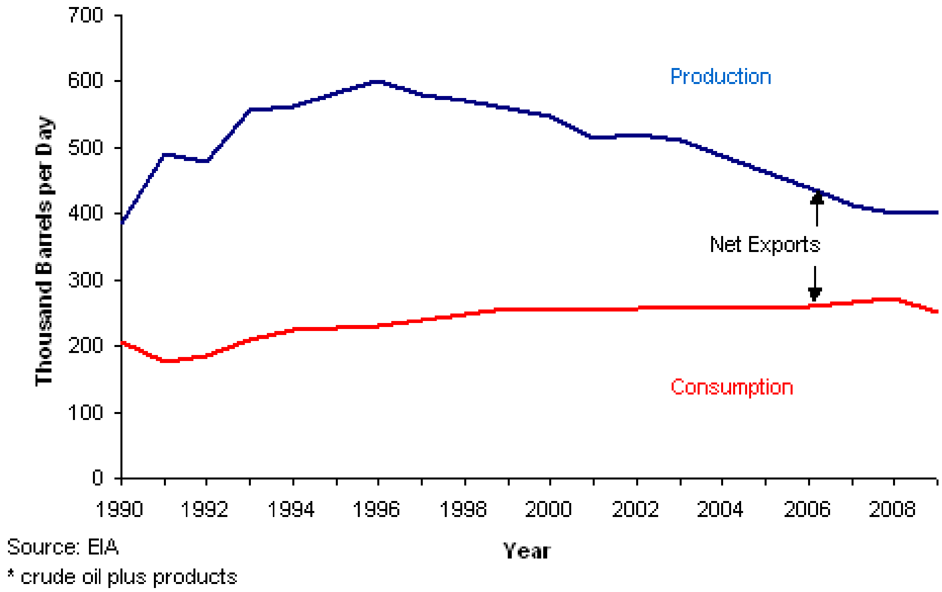
The impacts of the protests in Libya were almost immediate and the world market has lost 1.4 mbd of oil. The impacts in other countries will be more or less drawn out, depending on the nature of the change.

Yemen appears to be the next shakiest country in my rather murky crystal ball. With Yemen, although the President there just withdrew his promise to resign, the protests are beginning to follow the Libyan model in that the protesters have taken over part of the country, and fighting has started. Yemen produces some 260 kbd of oil, but exemplifies the Export Land model in that production is now declining and domestic consumption rising, and the volume available for export is rapidly diminishing. The EIA report that it was 125 kbd in 2009, and mostly went to Asia.



Yemeni oil statistics (Source EIA)

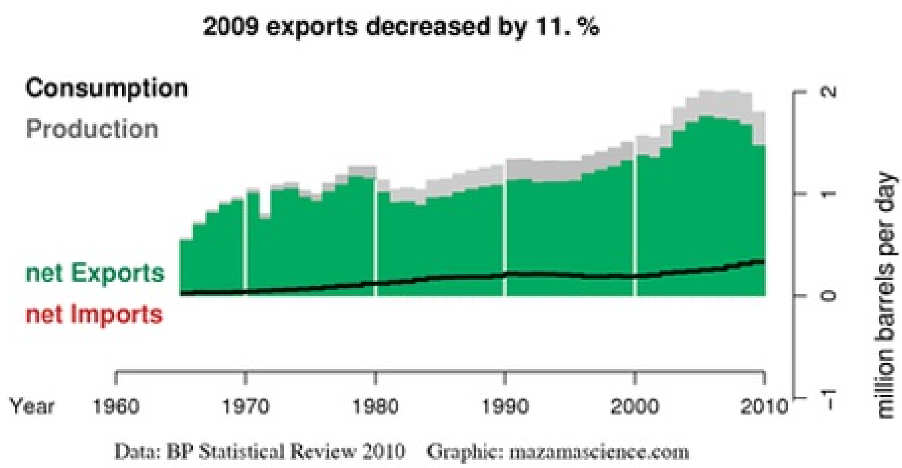
It is beginning to look as though Syria might collapse along the same path. The precursors are starting to happen, in the same way as for Libya, and if it goes there is another 368 kbd of production that may be lost. Of this some 148 kbd is exported, mainly to Germany, Italy and France. Internal consumption, on the order of 200 kbd, may decline, which will, in itself, likely foment unrest.



Syrian oil statistics (Source [EIA](#))

While the protests in Algeria have died down, for now, should more governments topple (as seems increasingly likely, vide the above) then protests may return to more public visibility, since the causes of the unrest [largely remain](#). However, we are now moving from the countries where significant change is beginning to seem probable, to those where it is increasing unlikely. Algeria is, I suspect, right in the balance on this. There is less motivation to get back into the troubles that preceded the French leaving the country back in 1962, when a million people died, and then there was a civil war that ended in 1999 that killed [another 150,000](#). As a result there is more of a chance for the current President to make enough changes to survive.

I wrote about Algeria, which produces more than 2 mbd, [earlier in the series](#) and for now will presume that the production of both oil and natural gas will continue.



Algerian oil statistics ([Energy Export Databrowser](#))

Morocco, which produces only around 4 kbd of crude, needs to import around 191 kbd to meet domestic needs. It is also a country where, after some [initial unrest](#), the king took some actions and has [promised reforms](#). Whether these will come to pass and will be sufficient remains in question, but for the present it moves the country over more toward stability, and I will accept that for now.

Bahrain, produces around 40 kbd of oil, with recent investments of $15 billion being projected able to increase that to 100 kbd by 2017. This is expected to require an additional 3,500 wells be drilled.

Bahrain has seen more turmoil than some adjacent countries and had seemed to be heading along the Egyptian path. However it lies close to Saudi Arabia, and there has been sufficient intervention from tanks and troops from there that the unrest seems to have been quashed. Unfortunately the economy has nose-dived, but this is unlikely to affect the oil production.

Jordan follows along the same lines as Morocco, in that the king remains relatively popular, and the unrest is more directed at the government. The recent protests demonstrated the conventional use of the police water cannons for riot suppression, as opposed to cooling spent nuclear fuel piles (as in Japan recently). In terms of oil production, Jordan sensibly stopped producing oil around 1992, and has imported around 100 kbd since then. Thus with a low probability of the monarchy falling, and no oil production, there is likely to be little impact from Jordan, at the present.

Given the concern by Schlumberger let me end with a quick glance at the Ivory Coast. The EIA page for the country is currently down, and to remind you of the problem there – there was an election and the incumbent President was defeated. He has, however, refused to step down, and so unrest is growing as the winner would like his job. The more immediate impact may come in the price of cocoa, since this is the major export, but there is an oil component. The concern comes because the Ivory Coast is along the off-shore trend from Nigeria, through Ghana, that is now being followed by international exploration. Results haven't been particularly promising, but the ongoing violence is reducing exploration drilling to validate potential.

To summarize the situation therefore it would seem that, for just the MENA countries, the developing unrest could take Libyan (1.4 mbd); Yemeni (125 kbd); and maybe Syrian (148 kbd) oil from the export market. The domino that is starting to look a little unstable is Algeria at 2 mbd, but at the moment I doubt that it will go.

The rolling blackouts in Japan are a warning of what will happen in other countries that start to come up short in energy production. It makes industrial production difficult, and thus plans for load shedding will become more important. Wonder which companies are working on them? Because the numbers are beginning to look worrisome in terms, not just of price, but also of availability of oil at the time that it is needed in the non-too-distant future.