

FEBRUARY 2020

US killing of Soleimani raises war fears; Iranians protest over downing of Ukrainian jet; Sultan Haitham appointed ruler in Oman; Egyptian cabinet reshuffled to curb corruption; Libya's National Oil Corporation halts production



More than 50 mourners were killed during a stampede at Iranian military commander Qasem Soleimani's funeral on 7 January



US-IRAN

US assassination of Soleimani escalates regional tensions

The assassination of Iranian Revolutionary Guard Corps (IRGC) general Qasem Soleimani by the US has significantly escalated tensions between the two countries. The drone strike on 3 January, carried out under the orders of US President Donald Trump, sparked fears that retaliation by Tehran could trigger a slide into a new Gulf war.

Oil prices jumped 4 per cent in the immediate aftermath of news emerging of Soleimani's killing – described by Iran's Supreme Leader Ayatollah Khamenei as a criminal act to which his government would respond.

On 4 January 2020, Trump said his government had identified 52 Iranian targets to strike should Tehran retaliate. In response, Iran said the following day that it would no longer abide by the restrictions imposed by the 2015 Joint Comprehensive Plan of Action nuclear deal.

Washington said the “decisive defensive action” of killing Soleimani – considered the mastermind behind Iran's military activities in Iraq, Syria, Lebanon and elsewhere – was taken to prevent further attacks on US personnel in the region.

On 8 January, at least 12 ballistic missiles fired by the IRGC hit US airbases in Iraq. Iran's foreign minister said Iran did not want to start a war, but would “defend [itself] against any aggression”.

52

Iranian targets identified for attack by the US

4%

Hike in oil prices after Soleimani's death was confirmed

IRAN

Protests break out over downed Ukrainian jet

Protests broke out in Iran on 12 January following Tehran's admission that it accidentally shot down the Ukraine International Airlines flight that crashed in the country on 8 January.

Demonstrators called on the Iranian leadership to resign after human error was blamed for causing the crash near Tehran that killed 176 people on board.

British ambassador Rob Macaire was arrested for taking part in a vigil that led to protests outside Tehran's Amir Kabir University. He was accused of instigating demonstrations, but was later released.

Iran's admission came after days of official denials that the country had struck down the aircraft. Iranian armed forces said national air defences had been on high alert after missile strikes on US airbases in Iraq.

IRAQ

Parliament seeks to cut US ties after vote on troop presence

Iraq's parliament passed a vote on 5 January compelling the Iraqi government to expel US troops from the country in the aftermath of General Qasem Soleimani's killing by the Pentagon.

The US State Department said it was "disappointed" with the decision.

The parliamentary resolution is non-binding, but Prime Minister Adil Abdul-Mahdi called on the government to urgently end the presence of foreign troops on Iraqi soil.

US President Donald Trump has since threatened Baghdad with "very serious" sanctions if the Iraqi government decides to "take a position hostile and unacceptable" to the US. He also stated that the US will not withdraw its troops from Iraq until Baghdad pays for the US-built military base there.

The US assistant secretary of defence, Jonathan Hoffman, noted: "Our hope and our goal now is for US security forces to remain in the region to help ensure security and make Iraq a prosperous country."

OMAN



New leader appointed following the death of Sultan Qaboos

Haitham bin Tariq al-Said was named the Sultan of Oman on 11 January after the death of Sultan Qaboos bin Said, who had ruled the country for 49 years.

Oman News Agency said the Defence Council had confirmed Sultan Haitham's appointment on 10 January. Sultan Qaboos' health had been ailing for some time and he had made a medical trip abroad in the last three weeks of 2019.

The former sultan left no heir apparent. Sultan Haitham was his cousin and had served as Oman's minister of heritage and culture since the mid-1990s. His nomination by the former ruler ensured a smooth succession for Sultan Haitham.

OIL PRICES

Non-Opec output expected to drive further oil price cuts

Analysts are worried oil prices could fall despite new production cuts by oil producers and heightened political tensions in the Gulf.

Rystad Energy's head of oil market research, Bjornar Tonhaugen, said the continued rise of non-Opec oil supply, particularly US shale oil, would lead to further reductions in oil prices during 2020.

He added: "Prospects of Brent prices slipping below \$60 per barrel – even in the midst of an intense geopolitical flare up in the Middle East – are entirely plausible."

Tonhaugen said, however, that a conflict between the US and Iran could lead to a proxy war in Iraq that would threaten the country's oil and condensate production of 4.7 million barrels a day (b/d).

\$60

Rystad's projected price for a barrel of oil in 2020

19.2 million b/d

GCC crude production in December 2019 according to Rystad

LIBYA

National Oil Corporation orders force majeure as ceasefire fails

Libya's National Oil Corporation (NOC) declared force majeure on its oil contracts on 18 January after it stopped oil exports from the ports of Brega, Ras Lanuf, Al-Harika, Zwaitina and Sidr.

Oil exports were stopped following orders by forces loyal to General Khalifa Haftar in the east of the country.

Halting exports will lead to crude oil production cuts of 800,000 barrels a day, with daily financial losses of \$55m, according to NOC.

NOC's announcement came ahead of a conference of world leaders held in Berlin on 19 January, at which possible ways to resolve the nine-month conflict in Libya were discussed.

NEUTRAL ZONE

Terms agreed to restart production at shared oil fields

Kuwait and Saudi Arabia have agreed terms to allow oil and gas production to resume in the shared Neutral Zone. State news agency Kuna reported that Kuwait's foreign minister and Saudi Arabia's minister of energy had signed agreements to resolve the dispute.

The Neutral Zone includes the Khafji and Wafra oil fields, which together have a production output of 500,000 barrels a day. This makes up about 0.5 per cent of global oil supply.

Production at Khafji was halted in October 2014 and US operator Chevron said it expects the field to return to full production in 12 months. Wafra field production stopped in May 2015.

EGYPT

Cabinet reshuffle to curb corruption sparks debate

Egypt's first cabinet reshuffle since June 2018 took place in December after parliamentary approval. Local reports said 11 ministries were affected, with several ministers replaced, portfolios merged and deputy ministers appointed.

The country's Ministry of Investment was replaced by the General Authority for Investment. Media reports said a debate ensued over the feasibility of the move, which led to the investment minister's responsibilities being assigned to incumbent Prime Minister Mustafa Madbouly.

A member of the parliamentary economic affairs committee told media site Al-Monitor that bringing the ministry under the cabinet's supervision would curb corruption.



500,000 b/d

Production output of the Neutral Zone's Khafji and Wafra oil fields

0.5%

Proportion of global oil supply

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The Red Sea Development Company expects to receive bids by 1 March for the contract to develop the utilities infrastructure that will cater to the Red Sea Project in Saudi Arabia's Western Region. MEED understands three groups are planning to bid for the contract.

Gulf Air Group Holding has increased its shareholding in Bahrain Airport Services (BAS) to 44 per cent. At the same time, BAS signed a concession agreement to continue its role as the ground handling services agent at Bahrain International airport's new passenger terminal until 2034. Under the agreement, BAS will also make an \$18.4m investment in new equipment.

Saudi Arabia's National Methanol Company (Ibn Sina) has awarded China's Wison Engineering a contract to upgrade its methanol plant located in Jubail. Fifty per cent of Ibn Sina is owned by Saudi Arabia Basic Industries Corporation (Sabic). The remaining stake is traded on the kingdom's bourse.

Saudi Electricity Company will start the deployment of its \$2.4bn electricity smart-metering project in February. The project will see 10 million smart meters rolled out across the kingdom by contractors such as local firms Al-Fanar and Mobily, as well as State Grid Corporation of China.