

To Drill or Not to Drill: How Will Saudi Arabia Respond to the American Oil Boom?

Written by Editor

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"The coming American oil boom is bad news for Saudi Arabia. How the kingdom responds could very well determine if it survives. Current trends in the global energy market don't look good for Saudi Arabia. First, the International Energy Agency projected in November 2012 that the United States will surpass the Gulf petrogiant as the world's top energy producer by 2020. Then, last week, it revealed that North America, buoyed by the rapid development of its unconventional oil industry, is set to dominate global oil production over the next five years. These unforeseen developments not only represent a blow to Saudi Arabia's prestige but also a potential threat to the country's long term economic well-being -- particularly in the post-Arab Spring era of elevated per-capita government spending. Saudi Arabia's response, to drill or not to drill, will also have major repercussions for a world economy which remains tied to the oil drum.

"But if the kingdom's outlook is decidedly bleak, its official response has been muddled. In an April 25 speech at Harvard University, Prince Turki al-Faisal, a former head of Saudi Arabia's top intelligence agency and the current chairman of the King Faisal Center for Research and Islamic Studies, announced that the kingdom is set to increase its total production capacity from 12.5 million barrels per day (mbd) today to 15 mbd by 2020, an amount that would easily make it the world's top oil producer once again. But five days later, in a speech at the Center for Strategic and International Studies in Washington, DC, Saudi Arabian Minister of Petroleum and Mineral Resources Ali al-Naimi conveyed an entirely different message, rejecting Turki's statement out of hand. "We don't see anything like that, even by 2030 or 2040," he said. "We really don't need to even think about 15 million.""

So what are we to make of this 2.5 mbd discrepancy? To find out read the rest of Dr. Gal Luft's article in [Foreign Policy](#) .