

The BIG Oil/Power SCAM

by F. William Engdahl via cyd - NEO Sunday, Jan 24 2016, 9:28am

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What's Really Going on With Oil?

If there is any single price of any commodity that determines the growth or slowdown of our economy, it is the price of crude oil. Too many things don't calculate today in regard to the dramatic fall in the world oil price. In June 2014 major oil traded at \$103 a barrel. With some experience following the geopolitics of oil and oil markets, I smell a big skunk. Let me share some things that for me don't add up.



On January 15 the US benchmark oil price, WTI (West Texas Intermediate), closed trading at \$29, the lowest since 2004. True, there's a glut of at least some 1 million barrels a day overproduction in the world and that's been the case for over a year.

True, the lifting of Iran sanctions will bring new oil on to a glutted market, adding to the downward price pressure of the present market.

However, days before US and EU sanctions were lifted on Iran on January 17, Seyyid Mohsen Ghamsari, the head of international affairs at National Iranian Oil Company stated that Iran, "...will try to enter the market in a way to make sure the boosted production will not cause a further drop in prices...We will be producing as much as the market can absorb." So the new entry of Iran post-sanctions onto world oil markets is not the cause for the sharp oil fall since January 1.

Also not true is that oil import demand from China has collapsed with a supposed collapse of China's economy. In the year to November 2015 China imported more, significantly more, 8.9% more, year on year, to 6.6 million barrels a day to become the world's largest oil importer.

Add to the boiling cauldron that constitutes today's world oil market the political risk that has been building dramatically since September, 2015 and the Russian decision to come to the call of Syria's legitimately elected President, Bashar al Assad with formidable airstrikes against terrorist infrastructure. Add as well the dramatic break in relations between Recep Tayyip Erdoğan's Turkey and Moscow since Turkey, a NATO member, committed a brazen act of war by shooting down a Russian fighter jet over Syrian airspace. All of this would suggest prices of oil should be going up, not down.

Saudi's Strategic Eastern Province

Then, for good measure, throw in the insanely provocative decision by Saudi Defense Minister and de facto king, Prince Mohammed bin Salman, to execute Sheikh Nimr al-Nimr, a Saudi citizen. Al-Nimr, a respected Shi'ite religious leader was charged with terrorism for calling in 2011 for more rights for Saudi Shi'ites. There are approximately 8 million Saudi Muslims loyal to Shi'ite teachings rather than the ultra-strict Wahhabi Sunni strain. His crime was to support protests calling for more rights for the oppressed Shia minority, perhaps some 25% of the Saudi population. The Shi'ite population of Saudis is overwhelmingly concentrated in the Kingdom's Eastern Province.

The Eastern Province of the Kingdom of Saudi Arabia is perhaps the most valuable piece of real estate on the planet, double the area of the Federal Republic of Germany but with a mere 4 million people. Saudi Aramco, the state-owned oil company is based in Dhahran in the Eastern Province.

The main Saudi oil and gas fields are mostly in the Eastern Province, onshore and offshore, including the world's largest oil field, Ghawar. Petroleum from the Saudi fields, including Ghawar, is shipped to dozens of countries from the oil port terminal of the Ras Tanura complex, the world's biggest crude oil terminal. Some 80% of the near 10 million barrels of oil a day pumped out by Saudi goes to Ras Tanura in the Persian Gulf where it is loaded on to supertankers bound for the west.

The Eastern Province is also home to Saudi Aramco's Abqaiq Plants facility, their biggest oil processing and crude stabilization facility with a capacity of 7 million barrels per day. It's the primary oil processing site for Arabian extra light and Arabian light crude oils, and handles crude oil pumped from Ghawar field.

And it also happens that the majority of oil field and refinery blue collar workers in of the Eastern Province are...Shi'ite. They are said also to be sympathetic to the just-executed Shia cleric, Sheikh Nimr al-Nimr. In the late 1980's the Saudi Hezbollah Al-Hejaz, led several attacks on oil infrastructure and also murdered Saudi diplomats. They were allegedly trained in Iran.

And now there is a new destabilizing element to add to the political tensions building between Saudi Arabia and Erdogan's Turkey on the one side, flanked by servile Arab Gulf Cooperation Council states, and on the other Assad's Syria, Iraq with a 60% Shi'ite population and neighboring Iran, aided presently militarily by Russia. Reports are that the unstable 30-year old Prince bin Salman is about to be named King.

On January 13, the Gulf Institute, a Middle East think tank, in an exclusive report, wrote that 80-year old Saudi King Salman Al-Saud plans to abdicate his throne and install his son Mohammed as king. They report that the present King "has been making the rounds visiting his brothers seeking support for the move that will also remove the current crown prince and American favorite, the hardline Mohammed bin Naif, from his positions as the crown prince and the minister of interior. According to sources familiar with the proceedings, Salman told his brothers that the stability of the Saudi monarchy requires a change of the succession from lateral or diagonal lines to a vertical order under which the king hands power to his most eligible son."

On December 3, 2015, the German BND intelligence service leaked a memo to the press warning of the increasing power being acquired by Prince Salman, someone they characterized as unpredictable and emotional. Citing the kingdom's involvement in Syria, Lebanon, Bahrain, Iraq and Yemen, the BND stated, referring to Prince Salman, "The previous cautious diplomatic stance of older leaders within the royal family is being replaced by a new impulsive policy of intervention."

Yet oil prices fall?

The ominous element in this more than ominous situation revolving around the center of world petroleum and natural gas reserves, the Middle East, is the fact that in the recent weeks oil prices, which had temporarily stabilized at an already low \$40 range in December, now have plunged another 25% to around \$29, outlook grim. Citigroup has forecast \$20 oil is possible. Goldman Sachs recently came out saying that it may take lows of \$20 a barrel to restabilize world oil markets and get rid of the glut of supply.

Now I have a strong gut feeling that there is something very big, very dramatic building in world oil markets over the coming several months, something most of the world doesn't expect.

The last time Goldman Sachs and their Wall Street cronies made a dramatic prediction in oil prices was in summer 2008. At that time, amid the growing pressures on Wall Street banks of the spreading US sub-prime real estate meltdown, just before the Lehman Brothers collapse of September that year, Goldman Sachs wrote that oil was headed for \$200 a barrel. It had just hit a high of \$147. At that time I wrote an analysis saying just the opposite was likely, based on the fact that there was a huge oversupply in world oil markets that curiously, was only being identified by Lehman Brothers. I was told by an informed Chinese source that Wall Street banks like JP Morgan Chase were hyping the \$200 price to convince Air China and other big China state oil buyers to buy every drop of oil at \$147 it could before it hit \$200, an advice that fed the rising price.

Then by December, 2008 the Brent benchmark oil price was down to \$47 a barrel. The Lehman Crisis, a deliberate political decision of US Treasury Secretary a former Goldman Sachs chairman, Henry Paulsen, in September 2008, plunged the world into financial crisis and deep recession in the meantime. Did Paulsen's cronies at Goldman Sachs and other key Wall Street mega-banks such as Citigroup or JP Morgan Chase know in advance that Paulsen was planning the Lehman crisis to force Congress to give him carte blanche bailout powers with the unprecedented TARP funds of \$700 billion? In the event, Goldman Sachs and friends reportedly made a gigantic profit betting against their own \$200 predictions using leveraged derivatives in oil futures.

Killing the shale oil 'cowboys' first

Today the US shale oil industry, the largest source of rising US oil output since 2009 or so, is hanging by its fingernails on the edge of a cliff of massive bankruptcies. In recent months shale oil production has barely begun to decline, some 93,000 barrels in November, 2015.

The Big Oil cartel-ExxonMobil, Chevron, BP and Shell-began dumping their shale leases onto the market two years ago. The shale oil industry in the US today is dominated by what BP or Exxon refer to as "the cowboys," mid-sized aggressive oil companies, not the majors. Wall Street banks like JP Morgan Chase or Citigroup who historically finance Big Oil, as well as Big Oil itself, clearly would shed no tears at this point were the shale boom to bust, leaving them again in control of the world's most important market. The financial institutions who lent hundreds of billions of dollars to the shale "cowboys" in the past five years have their next semi-annual loan review in April. With prices hovering at or near the \$20 range, we can expect a new, far more serious wave of actual shale oil company bankruptcies. Unconventional oil, including Canada's huge Alberta Tar Sands oil will soon be a thing of the past, if so.

That alone will not restore oil to the \$70-90 levels that the big oil industry players and their Wall Street banks would find comfortable. The glut coming out of the Middle East from Saudi Arabia and her Gulf Arab allies has to be dramatically cut. Yet Saudis show no sign of doing so. This is what

disturbs me about the entire picture.

Is something very ugly brewing in the Persian Gulf that will dramatically push oil prices up later this year? Is a real shooting war between Shi'ite and Saudi Wahhabi oil states brewing? Until now it has been a proxy war in Syria primarily. Since the execution of the Shi'ite cleric and Iranian storming of the Saudi Embassy in Teheran, leading to a break in diplomatic ties by Saudi and other Sunni Gulf Arab states, the confrontation has become far more direct. Dr. Hossein Askari, former adviser to the Saudi Finance Ministry, stated, "If there is a war confronting Iran and Saudi Arabia, oil could overnight go to above \$250, but decline back down to the \$100 level. If they attack each other's loading facilities, then we could see oil spike to over \$500 and stay around there for some time depending on the extent of the damage."

Everything tells me that the world is in for another big oil shock. It seems it's almost always about oil. As Henry Kissinger reportedly said back during another oil shock in the mid-1970's when Europe and the US faced an OPEC oil embargo and long lines at the gas pumps, "If you control the oil, you control entire nations." That obsession with control is rapidly destroying our civilization. It's time to focus on peace and development, not on competing to be the biggest oil mogul on the planet.

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