

Qatar will pull out of OPEC amid tension with Saudi Arabia

The tiny, energy-rich Arab nation of Qatar announced Monday it will withdraw from OPEC in January, a rebuke of the Saudi-dominated cartel as the kingdom's boycott of Doha continues unabated and a crucial meeting of the group looms this week.

The surprise declaration could make Qatar the first Middle East nation to leave the cartel since its founding in 1960. It again injects politics into an organization that long has insisted it is nonpartisan, stealing headlines just as the cartel deliberates production cuts to halt a slide in global crude oil prices.

Although contributing only a fraction of OPEC's overall production, Qatar's decision also throws into question the viability of the cartel. Once muscular enough to grind America to a halt with its 1970s oil embargo, OPEC needed non-members like Russia to push through a production cut in 2016 after prices crashed below \$30 a barrel. That's unlikely to change, especially as the United States regained the throne of the world's top oil producer.

"The Qatari leadership is no longer interested in remaining an active part of an organization that largely shuns it," the Eurasia Group said in an analysis. "The two individuals that markets focus on are Saudi Arabia's energy tsar Khalid al-Falih and Russia's Alexander Novak. Qatari energy officials are not consulted, at the very least not sufficiently, and its leaders are no longer an active part of the organization's machine."

The decision was announced by Saad Sherida al-Kaabi, Qatar's minister of state for energy affairs. He said Qatar, the world's largest exporter of liquefied natural gas, planned to increase its exports from 77 million tons of gas per year to 110 million tons. He also said Qatar wants to raise its oil production.

"In light of such efforts and plans, and in our pursuit to strengthen Qatar's position as a reliable and trustworthy energy supplier across the globe, we had to take steps to review Qatar's role and contributions on the international energy scene," al-Kaabi said.

There was no comment from Vienna-based OPEC, which meets Thursday to discuss possible production cuts. In November, al-Falih said OPEC and allied oil-producing countries will probably need to cut crude supplies, perhaps by as much as 1 million barrels of oil a day, to rebalance the market.

Qatar produces only about 600,000 barrels of crude oil a day, making it OPEC's 11th biggest producer. The loss of production, under 2 percent of overall OPEC supply a day, won't greatly affect the cartel's position in the market.

Anas Alhajji, an oil analyst, said Qatar's decision "has no impact on the market either way whether they're in or they're out."

"The cost for them is higher than the benefit" of remaining in OPEC, Alhajji said. "This is just like shutting down a losing business."

Sheikh Hamad bin Jassim Al Thani, Qatar's former prime minister who remains a powerful figure in the country, called the withdrawal from OPEC a "wise decision."

"This organization has become useless and adds nothing to us," Sheikh Hamad wrote on Twitter. "They are used only for purposes that are detrimental to our national interest."

Qatar, a country of 2.6 million people where citizens make up over 10 percent of the population, discovered its offshore North Field gas deposit in 1971, the same year it became independent.

It took years for engineers to discover the field's vast reserves, which shot Qatar to No. 3 in world rankings, behind Russia and Iran, with which it shares the North Field. It also has made the country fantastically wealthy, sparking its successful bid for the 2022 FIFA World Cup.

Qatar also hosts the al-Udeid Air Base, the home of the forward headquarters of the U.S. military's Central Command and about 10,000 U.S. troops.

Qatar's wealth has seen it take on a larger importance in international affairs. Its political stances, often supporting Islamists, have drawn the ire of its neighbors, particularly Saudi Arabia, OPEC's largest exporter.

In June 2017, Bahrain, Egypt, Saudi Arabia and the United Arab Emirates cut ties

to Qatar in a political dispute that is still going on. They also launched an economic boycott, stopping Qatar Airways flights from using their airspace, closing the country's sole land border with Saudi Arabia and blocking its ships from using their ports.

They say the crisis stems from Qatar's support for extremist groups in the region, charges denied by Doha. The four nations also have pointed to Qatar's close relationship with Iran. Qatar restored full diplomatic ties to Iran amid the dispute.

OPEC, or the Organization of the Petroleum Exporting Countries, was formed in 1960 as a reaction to Western domination of the oil industry.

Qatar was the first nation outside of its founding members to join the cartel, entering its ranks in 1961. Counting Qatar, OPEC has 15 members, including Algeria, Angola, Congo, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, the United Arab Emirates and Venezuela. OPEC nations like Ecuador, Gabon and Indonesia have either withdrawn or suspended their membership in the past, only later to rejoin. Qatar could potentially do the same.

OPEC sets production targets for its members in an effort to control the price of oil available on the global market.

President Donald Trump repeatedly has criticized both OPEC and U.S. ally Saudi Arabia over rising oil prices in recent weeks, demanding a production increase to drive down U.S. gasoline prices. That rising supply, coupled with the Trump administration allowing many countries to continue to import Iranian oil despite his targeting of Tehran with sanctions, has seen global prices drop.

Benchmark Brent crude, for instance, reached over \$85 a barrel in early October, only to drop sharply in the time since. It traded at just over \$61 a barrel Monday.

This story has been corrected to show that the name of the minister is Saad Sherida al-Kaabi.

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